STRÖER

ANNUAL REPORT 2018

STRÖER SE & CO. KGAA

CONTENTS

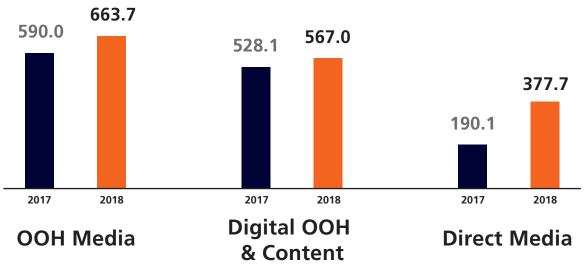
Ströer SE & Co. KGaA
(hereinafter „Ströer KGaA“)

willemswerf
OAT-LY!
You are one of us now.
OAT DRINK WHOLE
#1
It's like milk but made for humans.

THE GROUP'S FINANCIAL FIGURES AT A GLANCE[1]
CONTINUED OPERATIONS

REVENUE
EUR 1,582.5m
(prior year: EUR 1,283.0m)

SEGMENT REVENUE
In EUR m



OPERATIONAL EBITDA
EUR 543.4m
(prior year: EUR 475.4m)

OPERATIONAL EBITDA MARGIN
34.3%
(prior year: 37.0%)

ORGANIC REVENUE GROWTH
7.6%
(prior year: 9.2%)

ADJUSTED EARNINGS PER SHARE
EUR 3.42
(prior year: EUR 3.07)

FREE CASH FLOW BEFORE M&A TRANSACTIONS
EUR 306.4m
(prior year: EUR 285.7m)

ROCE
19.3%
(prior year: 18.2%)

In EUR m	After adjustment for IFRS 11 and IFRS 16 2018[2]	After adjustment for IFRS 11 and IFRS 16 2017[2]	Before adjustment for IFRS 11 and IFRS 16 2018	Before adjustment for IFRS 11 and IFRS 16 2017
Revenue (reported)	**1,582.5**	**1,283.0**	**1,582.5**	**1,283.0**
IFRS 11 adjustment	–	–	14.0	14.0
Revenue (management view)	**1,582.5**	**1,283.0**	**1,596.5**	**1,297.1**
Operational EBITDA	**543.4**	**475.4**	**367.8**	**326.7**
Adjustment effects	28.9	13.3	29.5	15.1
IFRS 11 adjustment	–	–	5.3	5.1
EBITDA	**514.4**	**462.1**	**333.1**	**306.5**
Amortization, depreciation and impairment losses	344.1	306.7	173.2	162.8
thereof attributable to purchase price allocations and impairment losses	68.8	64.4	70.1	65.6
EBIT	**170.3**	**155.4**	**159.9**	**143.7**
Financial result	34.1	28.7	12.7	7.9
EBT	**136.2**	**126.7**	**147.2**	**135.8**
Taxes	22.0	16.4	25.2	19.8
Consolidated profit for the period	**114.2**	**110.3**	**122.0**	**116.0**
Adjusted consolidated profit for the period	**199.6**	**172.9**	**213.0**	**185.7**
Free cash flow (before M&A transactions)	**306.4**	**285.7**	**151.0**	**145.5**
Net Debt (31 Dec)[3]	**517.7**	**463.9**	**512.1**	**457.1**

[1] For further details on the Group's financial figures we refer to the section "value-based management".
[2] The "IFRS 11 adjustment" relates to the alignment of the internal reporting to the external reporting. This alignment had an effect on several non-GAAP KPIs. The "IFRS 16 adjustment" results from the first-time application of this new standard.
[3] The calculation of the Ströer Group's net debt is based on its existing loan agreements with lending banks and, hence, the introduction of IFRS 16 had no impact in this regard. Against this background only the "IFRS 11 adjustment" had an impact on net debt.

THE BOARD OF MANAGEMENT

Dr. Bernd Metzner
CFO

Dr. Bernd Metzner was born in 1970 in Ruit auf den Fildern near Stuttgart, Germany, and studied business management at the University of Siegen.

After completing his PhD he joined the Flick Gocke Schaumburg law firm and then went on to assume various management positions in finance at the Bayer Group. He was responsible, among other things, for coordinating the spinoff and IPO of Lanxess and was CFO of Bayer Italy and head of finance of the pharmaceutical division of Bayer.

From mid-2011 to mid-2014 Bernd Metzner was CFO of the family-owned Döhler group.

Dr. Bernd Metzner assumed the position as Chief Financial Officer (CFO) of Ströer as of 16 June 2014 and represents the management board of Ströer Management SE alongside Co-CEO Udo Müller and Co-CEO Christian Schmalzl.

Udo Müller
Co-CEO

Udo Müller, born in 1962 in Rüdesheim, entered the field of out-of-home advertising in 1987 marketing his handball team, the Reinickendorfer Füchse, in Berlin.

In 1990, he teamed up with Heiner W. Ströer to establish Ströer City Marketing GmbH, which was reorganized as an Aktiengesellschaft (German stock corporation) in 2002. With the takeover of Deutsche Städte Medien (2004) and Deutsche Eisenbahn Reklame (2005), he advanced the growth of the company, which he took public in 2010.

In 2011, he was awarded the title of Senator h.c. by the German Association for Small and Medium-sized Businesses in recognition of his exceptional entrepreneurial achievements.

In 2012, Udo Müller added online marketing to the company's portfolio. In 2017, he successfully expanded Ströer's product portfolio to include dialog media.

Christian Schmalzl
Co-CEO

Christian Schmalzl, born in 1973 in Passau, studied politics, philosophy, literature and sociology at the Universities of Passau, Munich and Cardiff. After his studies, he joined MediaCom in Munich in 1999 and became the youngest managing director of the agency group in 2002.

In 2007, he assumed responsibility for the entire Germany business, before being appointed Worldwide Chief Operations & Investment Director (COO) of the international media group in 2009. Christian Schmalzl has joined Ströer's Board of Management as COO at the end of the year 2012. He was appointed Co-CEO of Ströer SE & Co. KGaA in March 2017.

FOREWORD BY THE BOARD OF MANAGEMENT

Dear ladies and gentlemen,
dear shareholders,

2018 was a successful but also an eventful year for our Company. As in prior years, we set new records with our KPIs and met our targets. We grew revenue by 23% from EUR 1,283m to EUR 1,582m. We clearly outperformed the German advertising market with organic growth of around 7.6%. We lifted our operational EBITDA by 14% from EUR 475m to EUR 543m. At 34.3%, the operational EBITDA margin remained at the high level of prior years. Adjusted profit for the period improved accordingly, growing some 15% from EUR 173m to EUR 200m. Our free cash flow (before acquisitions) reached a new record high at EUR 306m.

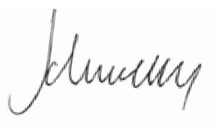
These positive developments reflect the consistent execution of our OOH+ strategy and our focus on Germany. Our diversified portfolio of rights, our comprehensive, local market know-how and our highly individualized, not globally scalable business model, in addition to our high pace of innovation, are of decisive importance for our continued success. Our attractive digital and dialog-based operations support and strengthen our successful core OOH business.

A major event in the past year was the successful sale of our Turkish business in October 2018. We terminated the contract for the City of Istanbul in the prior year, hence the Turkish business was no longer part of our core business. The deconsolidation has also sustainably strengthened the Group's profitability and further sharpened our financial profile. Having established a strong dialog marketing group by acquiring Avedo and Ranger Marketing in the prior year, we reinforced this group in the course of 2018 with the purchase of two other major providers of call center services: DV-COM and D+S 360. Ströer Dialog Group is now ranked among the top three multichannel call center providers in Germany and a key player in Europe.

For fiscal year 2019, we anticipate organic revenue growth in the mid-single-digit percentage range with the operational EBITDA margin in the same range.

We would like to thank our business partners and investors for the trust they have placed in us and wish you all a successful year in business and on the markets in 2019.

Udo Müller
Co-CEO



Christian Schmalzl
Co-CEO

Dr. Bernd Metzner
CFO

SUPERVISORY BOARD REPORT

Christoph Vilanek
Chairman of the supervisory board

Dear ladies and gentlemen,

2018 was a successful fiscal year for the Ströer Group. It was shaped by the consistent implementation of our strategy, with a regional focus on Germany and the reinforcement of our Direct Media segment through further acquisitions and the sale of our Turkey business. In addition, the entry into force of the General Data Protection Regulation and the expansion of our supervisory board to 16 members were of special significance to the supervisory board.

The supervisory board of Ströer SE & Co. KGaA carefully monitored and advised the general partner, Ströer Management SE, on a regular basis in the reporting period. The supervisory board of Ströer SE & Co. KGaA reviewed in particular the legality, expediency and propriety of management by Ströer Management SE's board of management.

In line with the requirements of the German Corporate Governance Code, the supervisory board regularly reviewed whether it has an appropriate number of independent members. This is particularly important given the existing shareholder structure and was found to be the case in the supervisory board's opinion. With the exception of the supervisory board members Julia Flemmerer and Dirk Ströer, none of the members of the supervisory board have a business or personal relationship with Ströer SE & Co. KGaA, its board of management or supervisory board or a controlling shareholder, that would establish a material conflict of interest of a non-temporary nature. But for these two exceptions as defined by the German Corporate Governance Code, the supervisory board regards 14 of the 16 supervisory board members as independent. This number is appropriate in the opinion of the supervisory board.

The board of management of Ströer Management SE informs the supervisory board of Ströer SE & Co. KGaA at supervisory board meetings as well as through written and oral reports on the business and all relevant aspects of business planning. It therefore fulfills its duty to provide information. In addition to the financial, investment and personnel planning, the development of business, the economic situation of the Company and the Group (including the risk situation and risk management), the financial position and the Group's profitability were discussed.

During fiscal year 2018, the supervisory board of Ströer SE & Co. KGaA convened four in-person meetings. In additional meetings, the chairman of the supervisory board, the deputy chairman of the supervisory board and the chairman of the supervisory board's audit committee discussed key business events with the board of management. The supervisory board plenum received regular oral reports on these deliberations.

The supervisory board of Ströer SE & Co. KGaA has formed an audit committee which deals in particular with monitoring the financial reporting process, the effectiveness of the internal risk management systems, the internal audit function and the audit of the financial statements. The audit committee of Ströer SE & Co. KGaA convened five times in the fiscal year.

Focus of deliberations and review by the supervisory board plenum

In a written procedure, the supervisory board adopted a resolution on 22 February 2018 to change the Company's articles of incorporation and bylaws in order to increase capital stock by EUR 275,486 to EUR 55,557,985 by adjusting the conditional capital 2013 due to the exercise of share options by beneficiaries under the 2013 stock option plan in fiscal year 2017.

At the meeting of the supervisory board on 26 March 2018, the supervisory board, in the presence of the auditors from Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Cologne, discussed in detail and approved the unqualified audited annual financial statements of Ströer SE & Co. KGaA and the unqualified audited consolidated financial statements of Ströer SE & Co. KGaA for fiscal year 2017. Furthermore, the supervisory board adopted its recommendations for resolutions to be passed by the annual shareholder meeting in 2018, including the distribution of a dividend of EUR 1.30 per qualifying share, the exoneration of the board of management and supervisory board, the appointment of Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Cologne, as the Company's auditor for fiscal year 2018, the nominations for supervisory board elections and the change in the articles of incorporations and bylaws to expand the supervisory board to 16 members. The supervisory board focused intensively on its efficiency review and approved the profile of skills and expertise. Finally, the supervisory board addressed the compliance report for fiscal year 2018.

In the supervisory board meeting held on 30 May 2018 in the run-up to the Company's annual shareholder meeting, the supervisory board deliberated over measures and a time schedule for the proposed expansion of the supervisory board to 16 members.

On 12 September 2018, the supervisory board met for the first time after the expansion of its membership to 16 members and the incumbent chairman of the supervisory board welcomed all new supervisory board members. The supervisory board unanimously elected Christoph Vilanek as chairman and Dirk Ströer as deputy chairman of the supervisory board. The supervisory board also confirmed the appointment of Ulrich Voigt, Christoph Vilanek and Dirk Ströer to the audit committee.

The focus of deliberations at the supervisory board meeting on 13 December 2018 was the long-form audit report and the audit plan for fiscal year 2019. The supervisory board approved the appointment of Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Cologne, to perform a limited assurance engagement relating to the non-financial statement in accordance with the International Standard on Assurance Engagements ISAE 3000 and also approved the conclusion of a master services agreement for non-audit services with Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Cologne. After in-depth review and deliberation, the supervisory board decided to perform the review of the Company's non-financial statement for fiscal year 2018 itself and not to engage a third party to perform the review. The supervisory board also approved the increase in capital stock to EUR 56,171,871 and the corresponding adjustment of the conditional capital 2013 due to the exercise of share options by beneficiaries under the 2013 stock option plan and under the 2015 stock option plan in fiscal year 2018. Finally, the supervisory board adopted the joint declaration of the supervisory board and board of management on the implementation of the recommendations of the German Corporate Governance Code in the version from 2017.

Anette Bronder took part in all meetings with the exception of the meeting on 26 March 2018. Julia Flemmerer attended the meeting on 12 September 2018; she did not take part in the meetings on 26 March 2018, 30 May 2018 or 13 December 2018. Michael Noth and Christian Sardiña Gellesch took part in all meetings with the exception of the meeting on 30 May 2018. Vicente Vento Bosch took part in all meetings with the exception of the meeting on 12 September 2018. Petra Sontheimer and Andreas Huster took part in all meetings after taking office. All other supervisory board members participated in all meetings of the supervisory board of Ströer SE & Co. KGaA. All supervisory board members took part in the written procedures during their respective terms of office.

Deliberations of the supervisory board's audit committee

On 15 March 2018, the audit committee reviewed the draft versions of the annual and consolidated financial statements of Ströer SE & Co. KGaA for fiscal year 2017. The auditor, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Cologne, attended this meeting. At its further meetings on 11 May 2018, 6 August 2018, 6 November 2018 and 21 November 2018, the audit committee examined the respective interim financial statements of the Company, the internal audit reports, the risk management report and compliance matters. At the meeting on 6 November 2018, the audit committee also discussed the review of the CSR report.

The members of the audit committee and the Chief Financial Officer of the general partner, Dr. Bernd Metzner, attended all meetings of the audit committee with the exception of Dirk Ströer, who did not attend the audit committee meeting on 15 March 2018.

The members of the audit committee of the supervisory board are still Ulrich Voigt as chairman, Christoph Vilanek as his deputy and Dirk Ströer.

Audit of the annual and consolidated financial statements

The annual and consolidated financial statements prepared by the board of management for fiscal year 2018 of Ströer SE & Co. KGaA were audited by Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Cologne, together with the underlying books and records and the combined management report of the Company and the Group. An unqualified auditor's report was issued in each case.

The documentation on the financial statements and the long-form audit reports were made available to all members of Ströer SE & Co. KGaA's supervisory board in good time. The documents were the subject of intensive discussions in the audit committee of Ströer SE & Co. KGaA and in the meeting of the supervisory board of Ströer SE & Co. KGaA to discuss the financial statements on 22 March 2019. The responsible auditor, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Cologne, participated in the plenum discussions. The auditor reported on the key findings of the audit and was available to answer questions.

The supervisory board reviewed all documents presented by the board of management and the auditor in detail. Based on the final results of the review, the supervisory board had no reservations and agreed with the conclusion reached in the audit of the financial statements by Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Cologne. The annual and consolidated financial statements prepared by the board of management were approved by the supervisory board of Ströer SE & Co. KGaA.

Changes to the composition of the boards

Until 8 August 2018, the supervisory board of Ströer SE & Co. KGaA comprised 12 members, including the 6 shareholder representatives, with Christoph Vilanek as chairman, Dirk Ströer as his deputy, Anette Bronder, Julia Flemmerer, Ulrich Voigt and Vicente Vento Bosch. It also included six employee representatives: Sabine Hüttinger, Rachel Marquardt, Tobias Meuser, Dr. Thomas Müller, Michael Noth, and Christian Sardiña Gellesch.

On 30 May 2018, the shareholder meeting adopted a resolution to change the Company's articles of incorporation and bylaws to allow for an increase in the number of seats on the supervisory board of Ströer SE & Co. KGaA from 12 to 16 in accordance with the applicable provisions of the MitbestG ["Mitbestimmungsgesetz": German Co-Determination Act] due to the increase in the headcount to more than 10,000 employees. After the announcement of the intended change in the composition of the supervisory board to reflect the change in circumstances (status proceedings) and the entry into force of the change in the articles of incorporation and bylaws to expand the supervisory board to 16 members, the Company's supervisory board comprises 8 members elected by the shareholders and 8 elected by the employees. Both women and men must account for at least 30% of the members of the supervisory board in each case.

The terms of office of all incumbent supervisory board members of the Company ended upon entry of the approved amendment to the articles of incorporation and bylaws to expand the supervisory board to 16 members in the Company's commercial register on 9 August 2018. The shareholder representatives, Anette Bronder, Martin Diederichs, Julia Flemmerer, Petra Sontheimer, Dirk Ströer, Vicente Vento Bosch, Christoph Vilanek and Ulrich Voigt, who were already elected by the shareholder meeting on 30 May 2018 subject to the condition precedent of a valid change in the articles of incorporation and bylaws regarding the expansion of the supervisory board, took office with effect from 9 August 2018. At the request of the board of management, the Cologne Local Court, by decision dated 30 August 2018, appointed eight employee representatives as members of the supervisory board, namely Sabine Hüttinger, Rachel Marquardt, Tobias Meuser, Dr. Thomas Müller, Michael Noth, Nadine Reichel, Christian Sardiña Gellesch and Andreas Huster.

Since then, the supervisory board has comprised the eight shareholder representatives, Anette Bronder, Martin Diederichs, Julia Flemmerer, Petra Sontheimer, Dirk Ströer (as deputy chairman of the supervisory board), Vicente Vento Bosch, Christoph Vilanek (as chairman of the supervisory board) and Ulrich Voigt, as well as the eight employee representatives, Sabine Hüttinger, Rachel Marquardt, Tobias Meuser, Dr. Thomas Müller, Michael Noth, Nadine Reichel, Christian Sardiña Gellesch and Andreas Huster.

Anette Bronder resigned as member of the supervisory board effective 31 December 2018.

There were no changes to the composition of the board of management of the general partner, Ströer Management SE.

Thanks

The supervisory board of Ströer SE & Co. KGaA would like to thank the board of management of Ströer Management SE, the management of the group entities, the works council and all employees for their outstanding personal dedication, hard work and unwavering commitment.

On behalf of the supervisory board

Christoph Vilanek
Chairman of the supervisory board
of Ströer SE & Co. KGaA

Cologne, March 2019

COMBINED MANAGEMENT REPORT OF THE COMPANY AND THE GROUP

The references to page numbers made in this combined management report of Ströer SE & Co. KGaA, Cologne (Ströer KGaA), and of the Group refer to the numbering in the annual report.

Combined Management Report

BACKGROUND AND STRATEGY OF THE STRÖER GROUP

Management Statement

The strategic objective of Ströer SE & Co. KGaA (Ströer or the Ströer Group) is to be "customer centric" – reflected by the unwavering focus of its entire offering on the requirements and needs of its advertising customers. In this context, Ströer covers the entire customer spectrum, from large national advertisers through to small local advertisers.

The results for 2018 demonstrate once more that Ströer is successfully applying

- the right **strategy**
- and focusing on the **right market segments** coupled with
- optimal and **reliable execution.**

Ströer is fully committed to becoming the most customer-centric media company on the German advertising market, operating across a number of media channels, having the right offerings for all customer segments and reliably making these ready for operation. Having the broadest range of local offerings, Ströer can efficiently target the specific customer groups of its advertising customers during all phases of their purchase decision-making process and in the after-sales process almost everywhere in Germany using various communication channels.

Ströer's objective is for all advertisers planning a marketing or sales campaign in Germany to always first consider the solutions and possibilities offered by Ströer.

In pursuing this ambitious objective, Ströer has already achieved a great deal over the past years and is committed to following this course on the German advertising market in the future.

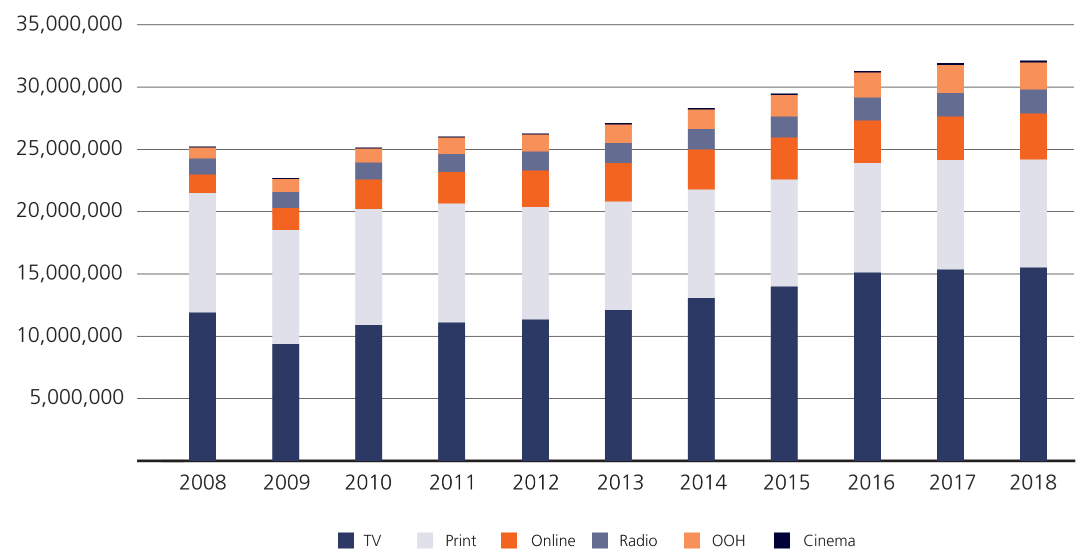
Context

The German advertising market has been shaped by major changes over the past ten years.

The market shares of our core segment out-of-home media (OOH) have continually risen over the last ten years in particular, now reaching just under 7%. This is a doubling of the market share in a market that is no longer growing structurally.

The print segment comprising general interest magazines and newspapers has lost considerable market share in recent years. The daily length of use, particularly by the younger age segments which are especially important for the advertising business, has declined continually and the offerings have also decreased accordingly. The readership is shifting its focus to online and mobile media.

Development of the advertising market 2008 to 2018



Source: Nielsen Media Research; Brutto Werbemarkt (gross advertising market w/o direct mail) *1st Closing 2018 Nielsen

The radio advertising market remains stable. Its user reach is also relatively stable, however the amount of use, particularly by younger target groups, is continually declining in favor of streaming portals such as Spotify, Apple Music, Amazon Music, etc.

In an international comparison, the advertising market share of TV is still relatively high in Germany. There are no signs of any significant erosion to date, even if user behavior increasingly tells a different tale. As with radio, instead of linear TV consumption, more and more users are tending to use streaming services such as Amazon Prime or Netflix. It is likely that the very high level of average TV consumption of more than 220 minutes reported by TV researchers across all target groups will in future primarily be achieved by more traditional target groups rather than young, mobile target groups.

The only structurally growing advertising segments in the German advertising market are out-of-home and online advertising – the segments in which Ströer has consistently built up a strong market position.

The dimensions of the online segment can only be approximated as google, facebook and amazon do not report their German advertising market revenues for advertising statistics purposes and they therefore have to be estimated. Ströer divides this market into segments which are primarily dominated by google and facebook and show unedited content that is organized differently, namely on a technology-driven basis for marketing purposes. Curated content and services have a different relevance for the user. Ströer focuses on this segment. With its balanced combination of own websites and portals, such as t-online.de or watson, and the exclusive long-term marketing of premium content for a number of other partners, such as the portfolio of websites of Bauer, OMS, Kicker or Motor Presse, 350 of the top 700 German-language websites in total, the Ströer Group also considers itself to be in a strategically good base position to capitalize on any further market consolidation thanks to its high-performance technology and marketing skills.

Due to digitalization, there is a vast abundance of possibilities and consumers today have an enormous range of options in all areas of digital life. Platforms and price comparisons find the lowest priced offer. In the past, consumers often had to consider the availability of a product at their place of purchase. Even in the advertising market, particularly in the online area, supply often exceeded demand. Nowadays, media offerings are increasingly merging on the digital platform "internet" which provides for great availability and optimal price comparisons, and thus increasingly controls demand through its marketplaces. These marketplaces are usually controlled by Anglo-American technology companies such as google, amazon or facebook, who both control prices and gain detailed knowledge of product-impact mechanisms and are able to use them for their own purposes (e.g., Amazon Basics products). Providers that wish to market their product on platforms other than these have to find new scalable ways to do so. Ströer offers direct communication and sales paths between providers and consumers in all phases of the purchase process, from initial contact and direct transactions through to after-sales service.

For Ströer, it is thus vitally important to focus on optimal and efficient solutions for national, regional as well as local advertising customers rather than attempting to establish an internationally scalable platform business.

Business model

Ströer is a leading provider in the commercialization of out-of-home and online advertising as well as all forms of dialog marketing in Germany, and offers its advertising customers individualized, scalable and integrated communications solutions along the entire media value chain.

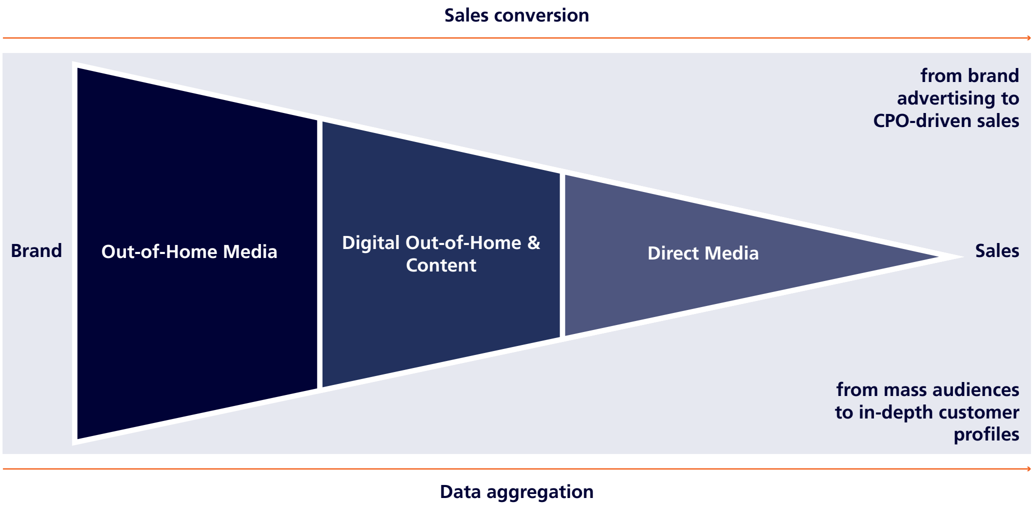
It focuses on customers from the segment of large national advertisers and their agencies, for which the Ströer Group can provide the relevant reach and range of advertising possibilities, as well as the segment of small to medium-sized regional, local and even hyperlocal advertisers through to individual local retailers. The Ströer Group can provide these with the product and also service infrastructure to allow to configure and efficiently provide the best local customized solution. Ströer is the only advertising company in Germany with the requisite sales infrastructure with branches in more than 100 localities and over 13,000 employees in its organization.

This segmentation is systematically focused on the ideal sequence in the structuring of the advertising relationship between the advertising customers and their target groups:

Awareness → qualification of the contact → transaction

On the cost side, the Ströer Group thus leverages economies of scale arising in areas such as strategy and innovation, research and development, finance, procurement, design, legal affairs, communications and human resources, as well as the many synergies arising from cooperation between the individual segments and entities.

Complementing integrated brand-performance sales funnel



Segments and organizational structure

The Ströer Group's reporting segments comprise the Out-of-Home Media, Digital OOH & Content and Direct Media segments. In order to reflect the convergence of our segments in the context of our OOH+ strategy, the Content Media segment was renamed Digital OOH & Content.

The segments operate independently on the market in close cooperation with the group holding company Ströer SE & Co. KGaA. This cooperation relates in particular to the ← Ströer Group's central strategic focus and enables a targeted transfer of expertise between the different segments.

→ For further information on strategy and management see page 18.

The Ströer Group's financing and liquidity are also managed centrally. The resulting refinancing of the segments and their provision with sufficient liquidity gives the operating units the flexibility they need to exploit market opportunities quickly.

In terms of sales, the three segments are monetized through a national sales organization, a regional/local sales organization and through their own special sales organizations. The sales organizations are connected via a central system (Salesforce). Salesforce was successfully launched in 2018, replacing the previous in-house sales system.

The national sales organization primarily serves customers that mostly advertise through national campaigns and use media and creative agency network support.

In addition, the national sales organization has direct access to all major advertisers and their agencies, providing integrated support in the areas of out-of-home media and digital OOH and content. It develops tailored solutions for a specific campaign purpose and can access the entire inventory of the Out-of-Home Media and Digital OOH & Content segments. The national sales organization directly serves the 1,000 largest German advertisers via locations and own consultants in Cologne, Düsseldorf, Berlin, Hamburg, Munich and Frankfurt/Main.

The regional sales organization mostly serves customers with an annual advertising volume of less than EUR 500,000 and a strong regional or local advertising objective, which is more than 78,000 customers in total from a population of over 2.5 million SMEs. The regional sales organization is in a position to offer local wraparound support by its own specialists to all customers in every major German city and strategically and above all sustainably develop and implement the optimal strategy for each customer. Customers are thus also successively developed and remain committed to Ströer during this development.

Furthermore, Ströer also provides the local infrastructure partners, municipalities, companies and private lessees of areas for advertising installations with direct contact partners and can respond swiftly to specific requirements.

In terms of sales, dialog media is supported both by national and regional sales but also has its own specialists for dialog business at each central location meaning it can initiate new orders.

Out-of-Home Media

The out-of-home advertising business has an attractive portfolio of contracts with private and public-sector owners of land and buildings, which furnish Ströer with advertising concessions for high-reach sites. Of particular importance are the contracts with municipalities, for which Ströer, as a system provider, develops smart and tailored infrastructure solutions that enhance cityscapes or pave the way for additional services. The contracts with Deutsche Bahn, the ECE group and local public transport providers are also highly significant. The product portfolio covers all forms of outdoor advertising media, from traditional posters (large formats) and advertisements at bus and tram stop shelters (street furniture) and on public transport through to digital and interactive offerings. The digital out-of-home business, which focuses on public video, is subsumed under the Digital OOH & Content segment due to the similarity of its business and the technology used.

The portfolio currently comprises almost 300,000 marketable advertising spaces in Europe, mainly in Germany. Agreements with private owners of land and buildings generally provide for the payment of a fixed lease, whereas the majority of the concession contracts with municipalities entail revenue-based lease payments.

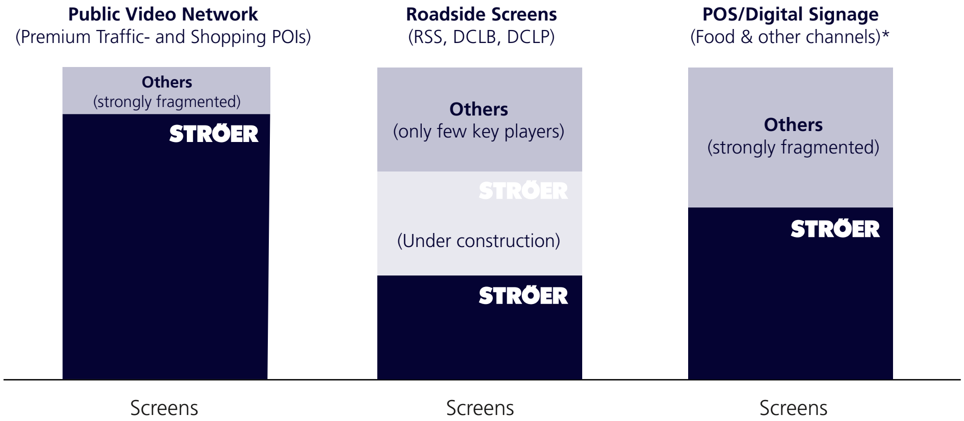
Municipal and private advertising concessions were expanded in 2018. With regard to the old and new advertising concession contracts, focus was placed in particular on the digitalization of existing and new advertising locations.

The increasing digitalization of all formats of advertising is a notable trend. Digitalized advertising installations offer a range of advantages and are therefore of strategic importance for the concession providers and for Ströer.

The digital and therefore flexible use of advertising spaces makes it possible to market them across all sales channels and also, given the fully digitalized logistics, offer very flexible and granular solutions, from bundles and networks to individual spaces, from campaigns spanning a longer period to specific timed campaigns. At the same time, any yields can be marketed at very short notice thanks to direct links from the customer’s systems (demand-side systems, DSP) to Ströer’s systems (supply-side platform, SSP). The technical basis required for this was successfully implemented at all sales levels in 2018. This gives digital OOH enormous flexibility and speed paired with the ability to very rapidly reach many target audiences at central locations and quickly anchor advertising campaigns in their minds.

Ströer is by far the largest provider of digital OOH advertising in Germany thanks to its multitude of different products such as roadside screens, Mega Vision, Public Video, Digital CLP, Edgar Art Net, POS Media or on-board TV.

Digital OOH Portfolio Strategy



Source: In-house, DMI – Digital Out of Home locations Screens 2018-02-15.1.pdf; *excluding rights of promotion

Key partners in the OOH business are cities and municipalities in Germany. Ströer receives advertising concessions from these partners and maintains the infrastructure in close consultation with them. With the aim of driving the smart digitalization of cities forward, Ströer is involved in the BCSD [German Federal Association for City and Town Marketing] and is the only advertising company to be a member of the Morgenstadt initiative of the Fraunhofer Institute for Industrial Engineering. The objective is to use Ströer's infrastructure and possibilities to simplify the management of cities and provide smart services to help citizens going about their daily lives. To this end, additional elements can be added to the infrastructure established by Ströer, such as environmental sensor systems or parking guidance systems. The digital installations are now also used by Civil Protection and the police as digital city information systems. This means that, besides content and advertising, the installations are also used for municipal services and information. The programs can be interrupted and used for warnings and ad hoc reports in connection with safety issues in specific areas of a city. This brings considerable added value for municipalities and citizens. Ströer's systems can thus be directly linked to all common systems (Katwarn app (Fraunhofer), Nina app (German Federal Office of Civil Protection and Disaster Assistance, based on its MoWaS modular warning system) and the BiWAPP citizen's information and warning app) as well as most local systems and police and fire service situation centers.

Ströer's city information systems won a European innovation award at the distinguished Nordic Edge Expo 2018 in Stavanger, Norway.

Ströer engages in intensive dialog with many German municipalities on the future and the development of German cities, with background presentations, publication series and a continuously updated internet presence, along with trade fair participations and charitable projects that are being driven forward, often in close cooperation with universities and Fraunhofer.

Ströer has its own research and development department with offices in Cologne and Shanghai. It maintains and enhances product lines and develops innovations. In 2018, for example, considerable progress was made in the use of advertising media with solar cells which can cover at least a portion of their power requirement.

In addition, a number of investees are allocated to the OOH business which round off Ströer's customer-centric offering, for example United Ambient Media Group GmbH (UAM) or blowUP media.

- Ströer acquired a majority holding in UAM in 2017. In 2018, UAM's products were integrated in the national and regional sales organizations. Revenue was grown sustainably thanks to the additional sales performance and enriches Ströer's product portfolio in all facets of ambient media. Noteworthy product innovations include the UAM local cinema network, ambient TV through Edgar Art Screens (more than 1,000 installations planned by the end of 2019) in restaurants and the offerings of Andre Media Nord (advertising in supermarkets).
- blowUP media is a strong western European provider of giant posters with formats of up to more than 1,000 m² positioned on building façades. The company currently markets more than 300 sites, some of which are digital, which are booked either individually or in blocks, both nationally and internationally, by well-known advertisers. The normally shorter concession terms pose different challenges for portfolio management to those that arise in traditional out-of-home advertising. In Europe, blowUP media has operations in Germany, the UK, the Netherlands, Spain and Belgium. Around 50% of giant poster business is generated in Germany.

Digital OOH & Content[1]

As a multichannel media company, Ströer offers scalable products from branding and storytelling through to performance, native advertising[2] and social media.

Display and mobile advertising

With a reach of more than 50.35 million unique users per month, Ströer Digital Media GmbH (Ströer Digital Media) was ranked the number one marketer by the industry group for online media research Arbeitsgemeinschaft Online Forschung (AGOF), making it one of the most important display and mobile marketers in the German advertising market.[3]

In the area of display and mobile advertising, Ströer Digital Media has a large number of direct customers and own websites as well as an automated technology platform (for both the demand and supply side). Own websites include, for example, t-online.de and leading special interest portals such as Giga.de or Kino.de. In terms of direct customers, Ströer has bundled its advertising capacity over the past years and now has exclusive marketing rights for more than 1,000 websites.

Ströer is able to intelligently link Rich Media[4] and Native Advertising with traditional display advertising formats and new moving-picture products while developing innovative advertising formats for automatic trading. In the area of social ads, Ströer provides its customers with a unique marketing portfolio of renowned media brands and apps as well as thematic verticals.

[1] Formely Content Media
[2] Native Advertising is a method wherein various forms of advertising can be placed in an editorial environment.
[3] Source: Extrapolation of marketer rankings following the merger of the offerings of Ströer Digital, InteractiveMedia and OMS based on the AGOF ranking digital facts 09-2016.
[4] Rich Media refers to online content, which is enhanced both visually and acoustically, for example by video, audio and animation.

All advertising formats and products adhere to the Better Ads Standards promoted by the Coalition for Better Ads and therefore meet the latest standards of quality.

Programmatic marketing options were expanded considerably through the provision of interfaces from popular booking platforms to Ströer public video inventory, as well as through the roll-out of an integrated header bidding setup with the Ströer Yieldlove acquisition and Ströer's own supply-side platform (Ströer SSP). Moreover, the new IAB Standard Flexible Ads was implemented and targeting options significantly expanded. This allows Ströer to make much more inventory available programmatically and therefore market it at extremely short notice at an optimal price.

In this connection, major new clients were won (such as ariva.de, Computec/Gamesworld, Computec/Golem, DER-Touristik) or engagements extended, such as for Bauer Media Group and Motor Presse.

Owned content

Within one year, t-online.de managed to become a leading political medium and is being consistently grown as one of the leading journalistic media brands in Germany. Angela Merkel, Annegret Kramp-Karrenbauer, Christian Lindner and Anton Hofreiter gave t-online.de exclusive interviews. This had a positive impact on its reach which grew by approx. 7% based on visits. t-online.de was quoted more than 500 times in other media in 2018. The "Tagesanbruch" news summary, which has been running for 16 months, is the first real multi-channel-platform product (internet, app, newsletter, voice/Alexa, public video, podcast) with up to 120,000 users daily, including many prominent politicians and business leaders. The investigative research on Russian propaganda being disseminated in Berlin made international headlines in November 2018. The t-online.de editors put together a diverse program from the central newsroom in Berlin. Besides news from politics and sport, celebrities such as Moritz Bleibtreu, Howard Carpendale or Otto Waalkes are interviewed in the t-online.de newsroom. The t-online.de columnist program garners national recognition. In August, the t-online.de app was relaunched and a dedicated specialized marketing team has been enhancing affiliate and online advice marketing since October.

At the start of 2018, the watson media brand was launched in Germany as a portal for generation Y/Z with a broad-based advertising campaign across all of the Ströer Group's media. watson attracted attention as early as August 2018 with its live reporting from the demonstrations in Chemnitz. Watson thrives on a high level of authenticity and editorial independence.

Directly following watson's launch, the third portal, desired.de, was relaunched. desired is aimed primarily at younger women interested in lifestyle and fashion. It is operated by Ströer Media Brands (SMB), which had renowned figures join its management team in 2018. In July, the purchase of the familie.de portal strengthened its competencies further. At SMB, facebook portals are run on a wide range of topics and provide news and entertainment to more than 70 million own facebook fans and followers in Germany.

TUBE ONE Networks is a social media agency specializing in influencer marketing for the Ströer Group. It develops and implements concepts for and with social media influencers and leading brand companies. Another of TUBE ONE's key focuses is on curating new trends and developing the next generation of social influencers. To this end, the Tubevertise influencer marketing platform was launched in September, which facilitates data-driven and automated planning and execution of influencer marketing campaigns with even more precise targeting of audiences. The Contour & Confidence book written together with the influencer Mrs. Bella in August was a number one bestseller on Amazon for a long time.

Statista GmbH continued on its perennial growth course. The growth stems in particular from the dynamic development of international activities with the opening of new sales offices in Paris and Singapore. In addition, further progress was made with the development of proprietary content and the core Statista brand. In 2018 the Statista Consumer Survey was rolled out around the world, in addition to the Statista European Football Benchmark, the prestigious Mobility Outlook and other special luxury goods reports. We won another two renowned partners for projects, namely LePoint and The Times.

The majority holding in Bodychange was sold in line with the aim of focusing on core business.

Direct Media

The Avedo group and Ranger GmbH were acquired by Ströer back in 2017.

The newly acquired Avedo group currently focuses on telesales and dialog marketing and provides services mainly on a CPO basis (cost per order). The Avedo group has over 30 million customer contacts annually and expertise in 12 sectors, in particular in the telecommunications, energy, IT, tourism, multimedia and e-commerce sectors.

The acquisition of the Ranger group that operates in performance-based direct sales creates an additional channel alongside the Avedo group's performance marketing business. The Ranger group is a direct sales specialist providing highly efficient, performance-guided sales services on behalf of its clients. The company sells products to private and corporate customers on behalf of its clients in the telecommunications, energy, retail, financial services and media sectors.

These acquisitions were supplemented by further purchases in 2018: DV-COM and STRÖER Dialog Verwaltung Hamburg GmbH (D+S communication center management GmbH) (D+S 360). This saw the resultant Ströer Dialog Group, which is part of the Direct Media segment in the annual report, rising to become one of the top three providers of call center capacities in Germany and one of the leading players in Europe. Ranger's strong positioning in the French market, thanks to the customer Envie, was reinforced by the purchase of C2E in June 2018.

In order to not only offer the most reasonably priced but also the most technologically advanced product, Ströer made a significant technology investment by acquiring the Hamburg-based optimise-it GmbH (optimise-it) in July 2018. optimise-it specializes in online chat and messaging services and uses, among others, its own technology to automate certain elements of those services using artificial intelligence. This is technology that does not yet replace human intelligence in operations but rather knows how to support the latter and improves the level of service as a result.

In December 2018, the Vodafone online branch went into operation, a product that Ströer developed and implemented jointly with Vodafone and that intelligently links various chat services and technologies.

Strategy and management

Ströer focuses on the following strategic topics:

Its key objective is for all advertisers planning a marketing or sales campaign in Germany to always and primarily consider the possibilities and solutions offered by Ströer's portfolio which can be tailored to their needs.

Ströer focuses on business segments which can be developed actively and organically in line with its customer-centric strategy and offer opportunities for sustainable growth.

They are characterized by

- an inventory that has a highly diversified portfolio of rights
- demands on local operational excellence that are particularly high
- segments for management and product design that require a high level of local market know-how, and
- are not globally scalable, as there are major differences in terms of market structure, language or culture as well as regulatory conditions across different countries.

Such business segments thus need to be optimally structured by a strong and integrated local provider such as Ströer. Ströer's traditional core segment, out-of-home media, in particular is seeing sustainable growth on the back of the development of digital business in connection with German content (Digital OOH & Content) and additional services in the Direct Media segment. As a result, Ströer offers its customers a unique variety of products at national, regional and local level. The business is thus set up for long-term structural growth.

The high level of quality required in local execution is firmly embedded in Ströer's DNA. Historically the out-of-home business was always shaped by limited standardization, also due to the federally diversified structure of the German urban landscape. This means that each rights contract has to be individually developed and maintained and at the same time international economies of scale such as in product design and procurement do not play a major role.

The success of Ströer's core segments mainly lies in:

- "Propriety detailed knowledge in breadth and depth" meaning the deep knowledge of the very different local conditions, e.g., each advertising location or every individual website or call center.
- "Individual quality in management and execution" meaning the will to ensure maximum precision, also in the regional and local environment, and not work with too unspecific standard solutions. Consequently Ströer sells over 200 different product variations in the area of OOH media alone.
- "Proprietary solutions tailored to the customer" with the objective of ensuring maximum customer satisfaction also in the smallest segments, as opposed to forcing customers to use globally scaled platforms.
- "Direct access to all customers on all levels" meaning the continual expansion of all sales resources to ensure customer contact at the highest possible breadth and depth in the market, in particular also in the segment of small to medium-sized businesses which other providers cannot comprehensively serve.

Thus, the portfolio can be tailored, both in the real world (Out-of-Home Media advertising faces) as well as in the digital world (Digital OOH & Content) or in direct customer contact (Direct Media), in line with the requirements of a diverse range of partners, in order to demonstrate, offer and execute an optimal customer-specific solution.

Within the scope of optimizing the investments made by Ströer in its own portfolio, the utilization and value added by the portfolio can be continuously optimized. Temporarily non-monetized advertising spaces or existing marketing infrastructures increase the value of strategically targeted and profitable investments and additional business acquired in prior years.

In organizational terms, this means considerable elasticity and an extensive spectrum which is centrally supported by the new CRM and ERP systems introduced

- from the needs of large national advertisers and their agency partners that are increasingly looking for automated, programmatic and data-driven solutions with high flexibility
- through to the needs in the segment of the small to medium-sized regional customers which Ströer, thanks to the fast growing local sales organization, can directly advise on-site on all aspects of its single-source offering, and whose solutions can be scaled from an organizational rather than technical perspective.

On this basis, Ströer is optimally set up for long-term success on the German advertising market.

Data-driven product development

The digital strategy is based on the Group's continuously evolving technology position, which enables local and regional performance as well as direct marketing. Technologies for precisely targeting campaigns and professionally managing anonymized data are crucial for success. This enables the smooth integration of branding and performance marketing as part of multi-screen strategies.

Value-based management

We manage our Group using internally defined financial and non-financial key performance ratios in the interests of sustainable development. Key financial indicators continue to follow the internal reporting structure. These are figures which reflect the business model as well as management systems but are not covered by IFRSs. The main key indicators are organic revenue growth and operational EBITDA. The other indicators include adjusted consolidated profit, ROCE (return on capital employed), the leverage ratio and free cash flow (before M&A transactions).

Revenue development is one of the key indicators for measuring the growth of the Group as a whole. It is also an important metric for managing the Ströer Group's segments. As part of the budgeting and medium-term planning process, the individual segments are set revenue targets that are broken down to the relevant level; adherence to these targets is continuously monitored during the year. Both → organic revenue growth and nominal revenue growth are analyzed in this context. The business performance of acquirees – both positive and negative – is included in the calculation of organic revenue growth from the time of initial consolidation.

← For further information on the determination of organic revenue growth, see page 20.

Operational EBITDA (consolidated earnings before interest, taxes and depreciation and amortization, impairment losses and adjusted for exceptional items) gives an insight into the sustainable development of earnings of our Group. Furthermore, operational → EBITDA is a key input for determining the leverage ratio to be reported to our lending banks on a quarterly basis. In addition, sustainable operational EBITDA is used on the capital market as part of the multiplier process for simplifying the determination of business value.

← For further information on the calculation of operational EBITDA and adjusted consolidated profit, see page 21.

Adjusted consolidated profit is used as an indicator for determining our dividend payment. We plan to pay out a percentage – within a specified range – of our adjusted consolidated profit in dividends, to the extent permitted under German commercial law.

→ For further information on the calculation of free cash flow (before M&A transactions), see page 33.

→ For the section on employees, see page 47.

Free cash flow ← (before M&A transactions) is a key performance indicator for the board of management and is calculated from the cash flows from operating activities less net cash paid for investments, being the sum of cash received from and paid for intangible assets and property, plant and equipment. Free cash flow (before M&A transactions) therefore represents the cash earnings power of our Company and is an important determining factor for our investment, financing and dividend policy.

Our aim is also to sustainably increase our return on capital employed (ROCE). To achieve this, we enhance our management and financial control systems on an ongoing basis. ROCE is calculated as adjusted EBIT divided by capital employed. Adjusted EBIT is defined as follows: consolidated earnings before interest and taxes, write-downs arising from purchase price allocations, impairment losses and adjusted for exceptional items. Capital employed comprises total intangible assets, property, plant and equipment and current assets less non-interest-bearing liabilities (trade payables and other non-interest-bearing liabilities). It is the arithmetic mean of these values at the start of the year and the respective year-end. ROCE provides us with a tool that enables value-based management of the Group and its segments. Positive value added and thus an increase in the Company's value are achieved when ROCE exceeds the cost of capital of the respective cash-generating units (CGUs).

→ For further information on net debt, see page 35.

Net debt ← and the leverage ratio are also performance indicators for the Group. Our debt financing costs within the scope of the facility agreement and the note loans are linked, among other things, to net debt. The leverage ratio is also an important factor for the capital market for assessing the quality of our financial position. The leverage ratio is measured as the ratio of net debt to operational EBITDA. Net debt is calculated as the sum of liabilities from the facility agreement, from note loans and other financial liabilities less cash.

In terms of non-financial indicators, we take into account key figures on the employment situation ←, such as headcount at group level on a certain day.

Reconciliation: organic revenue growth

The following table presents the reconciliation to organic revenue growth. For 2018, it shows that with an increase in revenue (without foreign exchange effects) of EUR 112.2m and adjusted revenue of EUR 1,476.7m for the prior year, the organic growth rate comes to 7.6%.

In EUR k	2018	2017
Revenue prior year (reported)	**1,283,047**	**1,049,189**
IFRS 11 (equity method reconciliation)	0	11,891
Revenue prior year (management approach)	**1,283,047**	**1,061,080**
Disposals and discontinued units	–61,115	–1,373
Acquisitions	254,767	131,155
Revenue prior year (management approach (adjusted))	**1,476,699**	**1,190,861**
Foreign currency effects	–6,441	–3,652
Organic revenue growth	112,200	109,859
Revenue current year (management approach)	**1,582,459**	**1,297,068**
IFRS 11 (equity method reconciliation)	0	–14,021
Revenue current year (reported)	**1,582,459**	**1,283,047**

Reconciliation: operational EBITDA

The segment performance indicator operational EBITDA is adjusted for certain adjustment effects. The Group has defined gains and losses from changes in the investment portfolio (e.g., due diligence transaction costs, legal advice, notarial certifications, purchase price allocations), reorganization and restructuring measures (e.g., costs for integrating entities and operations, adjustments for exceptional items from material restructuring and from performance improvement programs), capital measures (e.g., material fees for amending and adjusting loan agreements including external consulting fees) and other effects (e.g., costs for potential legal disputes, currency effects) as adjustment effects.

Adjustment effects are broken down into individual classes in the table below:

In EUR k	2018	2017
Gains and losses from changes in the investment portfolio	898	–4,691
Gains and losses from capital measures	–5	25
Reorganization and restructuring expenses	15,564	18,747
Other adjustment effects	12,467	1,054
Total	**28,923**	**15,135**

Gains and losses from changes in the investment portfolio comprise income from the reversal of earn-out liabilities of EUR 6,715k (prior year: EUR 5,341k) and expenses from M&A activities of EUR 3,613k. The decline in income from changes in the investment portfolio is mainly due to income of EUR 12,046k disclosed in the prior year from the sale of ApDG Handels- und Dienstleistungsgesellschaft mbH (Vitalsana). The reorganization expenses in various areas as a result of the growth strategy remained roughly at the prior-year level.

The reconciliation from segment to group values contains information on group units that do not meet the definition of a segment ("reconciliation items"). They mainly relate to all costs for central functions such as the board of management, corporate communications, accounting, controlling, less their income from services rendered.

The following table shows the reconciliation of the segment performance indicator to the figures included in the consolidated financial statements:

In EUR k	2018	2017
Total segment results (operational EBITDA)	**559,063**	**350,118**
Reconciliation items	–15,697	–23,382
Group operational EBITDA	**543,366**	**326,737**
Adjustment effects (exceptional items)	–28,923	–15,135
Adjustment effects (IFRS 11)	–	–5,096
EBITDA	**514,442**	**306,506**
Depreciation (right-of-use assets under leases (IFRS 16))	–170,903	–
Amortization and depreciation (other non-current assets)	–165,565	–156,614
Impairment (including goodwill impairment)	–7,680	–6,157
Financial result	–34,126	–7,897
Profit or loss before taxes	**136,170**	**135,837**

Reconciliation of the consolidated income statement to the management figures

In EUR m	Income statement in accordance with IFRSs 2018	Reclassification of amortization, depreciation and impairment losses	Reclassification of adjustment items	Income statement for management accounting purposes
Revenue	**1,582.5**			**1,582.5**
Cost of sales	–1,032.9	297.5	0.9	–734.5
Selling expenses	–224.7			
Administrative expenses	–186.0			
Total selling and administrative expenses	–410.7	46.6	27.8	–336.2
Other operating income	43.3			
Other operating expenses	–16.9			
Total other operating income and other operating expenses	26.3	0.0	0.1	26.5
Share in profit or loss of equity method investees	5.1			5.1
Operational EBITDA				**543.4**
Amortization, depreciation and impairment losses		–344.1		–344.1
Adjusted EBIT				**199.3**
Adjustment effects[1]			–28.9	–28.9
Financial result	–34.1			–34.1
Income taxes	–22.0			–22.0
Consolidated profit or loss from continuing operations	**114.2**	**0.0**	**0.0**	**114.2**

[1] For further information on adjustment effects we refer to the section “Reconciliation: operational EBITDA” on page 21.

Amortization from purchase price allocations	Exchange rate effects from intragroup loans	Tax normalization	Elimination of exceptional items and impairment losses	Adjusted income statement 2018	Adjusted income statement 2017
				1,582.5	**1,297.1**
				–734.5	–695.7
				–336.2	–287.8
				26.5	13.2
				5.1	–0.1
				543.4	**326.7**
61.1			7.7	–275.4	–99.2
61.1			**7.7**	**268.0**	**227.5**
			28.9	0.0	0.0
	0.2		3.0	–30.9	–6.9
		–15.6		–37.5	–34.9
61.1	**0.2**	**–15.6**	**39.6**	**199.6**	**185.7**

Management and control

The board of management of the general partner Ströer Management SE, Düsseldorf, as of 31 December 2018 comprises three members: Udo Müller (Co-CEO), Christian Schmalzl (Co-CEO) and Dr. Bernd Metzner (CFO). The following overview shows the responsibilities of each member of the board of management in the Group:

Name	Member since	Appointed until	Responsibility
Udo Müller	July 2002	December 2020	Co-CEO Strategy
Dr. Bernd Metzner	June 2014	June 2019	Chief Financial Officer Group finance and tax Group HR Group IT Group legal Group M&A/corporate finance Group internal audit Group investor relations Group procurement Group risk management Group accounting Group controlling
Christian Schmalzl	November 2012	December 2020	Co-CEO Management and supervision of national and digital companies Group business development Group corporate communications

The members of the board of management collectively bear responsibility for management. As of the end of the second quarter of 2019, Dr. Bernd Metzner, Chief Financial Officer of Ströer SE & Co. KGaA, will leave the Company at his own request.

In addition to the board of management, there is an executive committee, as an extended governing body, to professionalize governance and to embed key topics within the Ströer Group. Regular in-person meetings are held to decide on fundamental issues and to ensure that the entire Group has a uniform strategic focus.

The supervisory board of Ströer SE & Co. KGaA comprised six shareholder representatives until 8 August 2018: Christoph Vilanek as chairman, Dirk Ströer as his deputy, Anette Bronder, Julia Flemmerer, Ulrich Voigt and Vicente Vento Bosch. It also comprised six employee representatives: Sabine Hüttinger, Rachel Marquardt, Tobias Meuser, Dr. Thomas Müller, Michael Noth, and Christian Sardiña Gellesch. Due to the operations acquired, headcount at the Ströer Group increased and is currently more than 10,000, but less than 20,000. Pursuant to Sec. 278 (3) and (97) et seq. AktG ["Aktiengesetz": German Stock Corporation Act] in conjunction with Sec. 7 (1) No. 2 MitbestG ["Mitbestimmungsgesetz": German Co-Determination Act], the number of supervisory board members was increased from the previous 12 to a total of 16. At the shareholder meeting on 30 May 2018, eight shareholder representatives were elected. In addition to the six acting supervisory board members, Martin Diederichs and Petra Sontheimer were elected as shareholder representatives. The new supervisory board members took office with effect from 9 August 2018. Eight employee representatives were elected by court appointment to the supervisory board with effect as of 30 August 2018. In addition to the six acting supervisory board members, Andreas Huster and Nadine Reichel were elected as employee representatives.

Since then, the supervisory board has comprised the 16 members Christoph Vilanek as chairman of the supervisory board, Dirk Ströer as his deputy, Anette Bronder, Martin Diederichs, Julia Flemmerer, Andreas Huster, Sabine Hüttinger, Rachel Marquardt, Tobias Meuser, Petra Sontheimer, Dr. Thomas Müller, Michael Noth, Nadine Reichel, Christian Sardiña Gellesch, Ulrich Voigt and Vicente Vento Bosch. Anette Bronder stepped down as member of the supervisory board effective 31 December 2018.

For more information on the cooperation between the board of management and the supervisory board and on other standards of corporate management and control, see the corporate governance declaration pursuant to Sec. 289f HGB ["Handelsgesetzbuch": German Commercial Code], which also includes the declaration of compliance with the German Corporate Governance Code (GCGC) pursuant to Sec. 161 AktG. In addition, the board of management of Ströer Management SE and the supervisory board of Ströer SE & Co. KGaA issue a joint corporate governance report each year in accordance with 3.10 GCGC. All documents are published on the website of Ströer (www.stroeer.com/investor-relations).

For fiscal year 2018, Ströer SE & Co. KGaA has again prepared a group non-financial report pursuant to Sec. 315b HGB. It will be available on our website from 26 April 2019 http://ir.stroeer.com/download/companies/stroeer/Annual%20Reports/stroeer_NFGreport_2018_en.pdf.

Markets and factors

The Ströer Group's business model means that it operates on the markets for out-of-home advertising and online and mobile marketing as well as in the direct marketing segment. The Group's economic situation is naturally affected by the advertising markets that it serves, which in turn are highly sensitive to macroeconomic developments and changes in the behavior of consumers and advertisers. A distinction should be made between the behavior of national (often also international) advertisers and the behavior of regional or local advertisers. International advertisers' investments often respond to global economic fluctuations. Earnings are occasionally optimized by means of short-term cuts in advertising spending. National, regional and local advertisers primarily align their activities to domestic economic developments, making these customers' advertising budgets significantly less volatile. Ströer's product and sales strategy is to increase the proportion of national, regional and local customers which we have continuously successfully achieved over the last few years.

Out-of-home advertising is affected in particular by the conditions relating to the advertising concessions granted by municipalities. Factors affecting online advertising and direct marketing are regulatory frameworks, especially the General Data Protection Regulation (GDPR).

In the out-of-home advertising industry, customers are still increasingly placing bookings with shorter lead times. Thanks to the increasing digitalization of its out-of-home inventory, Stroer is more and more improving its position to offer yields more precisely and at much shorter notice. Order intake develops in line with the seasonal fluctuations seen on the media market at large. There is generally a concentration of out-of-home activities in the second and fourth quarters, around Easter and Christmas. However, sports events, such as the 2018 Football World Cup, rarely tend to stimulate out-of-home advertising, and often even negatively impact this segment. In terms of costs, the development of lease payments, personnel expenses and other overheads (including electricity, building and maintenance costs) are key factors.

In the online segment, advance booking times by customers are even considerably shorter – often as short as a few minutes before broadcast – than out-of-home advertising due to the high degree of automation. In the online industry, the highest revenue activity by far falls in the fourth quarter. A key factor for online advertising is the further penetration of the market using automated programmatic platforms, where Ströer makes its digital inventory, including for out-of-home advertising, available online. Apart from the commissions paid to website operators, the main cost drivers are personnel and IT operating expenses (computer centers, security systems, etc.).

Direct marketing is less seasonal, however the second half of the fiscal year tends to be stronger. Due to the long-term nature of relationships and the high level of customer loyalty as well as the comparably long lead times, the service business in dialog marketing is characterized by relatively low volatility. The factors shaping revenue development lie in employee productivity and an increase in headcount (recruiting, training, development). In the service business, productivity always depends on the working days effectively available each month. Seasonal fluctuations are therefore limited to December due to the generally lower productive working time given the public holiday and vacation days. In the area of field sales, the acquisition of new fields of use gives rise to anticyclical revenue effects.

The regulatory environment also impacts on the economic situation of the Ströer Group. If regulatory amendments are made in the area of tobacco and alcohol advertising, Ströer will be able to soften the impact on its business volume through appropriate marketing and sales activities thanks to the usual lead times applicable to changes in legislation.

The regulatory environment in the online advertising segment is mainly determined by data privacy aspects at European and national level, which give national legislatures leeway in drafting guidelines. In view of the new EU e-Privacy Regulation (Regulation of the European Parliament and of the Council concerning the respect for private life and the protection of personal data in electronic communications), considerable changes are expected in this regard in the year ahead, some of which were already felt in 2018 due to the uncertainty prevailing around the handling of data, but have not had an impact on business.

The use of ad blockers has become less prominent. They allow users to prevent advertising from being displayed on websites. At the same time, technology designed to circumvent these ad blockers is being developed on a similar scale.

Overall, the Ströer Group is very well positioned with its integrated portfolio to profit from the medium to long-term market trends of increasing mobility and urbanization. The expectation is that the market will focus more and more directly on media users and their usage behavior, which involves more media consumption via mobile devices in the private, professional and public environments.

There remains substantial potential for regional online advertising campaigns and increasing digitalization of out-of-home advertising inventory.

ECONOMIC REPORT

Business environment

General economic developments in 2018

Based on a revenue contribution of more than 90%, Germany is our core market with international business playing only a secondary role. The strong growth in the German market as well as the declining significance of the international business, due in particular to the sale of the Turkey business in fiscal year 2018, have resulted in a noticeable reduction in the relevance of the international business for the Group, as characterized in the development of Turkey. The markets of Germany and Turkey once again turned in a mixed performance in the fiscal year. Due to factors such as high foreign debt and the general political situation, the Turkish economy's reported growth level for 2018 was only just over half of that reported in the prior year in percentage terms. Moreover, the Turkish lira again depreciated significantly against the euro over the course of the year. By contrast, the German economy benefited, as in prior years, from the dynamic domestic growth and expanded slightly as a result.

Germany

In 2018, the German economy continued on its positive trajectory of the last few years. Despite some weak signals in the past few months, the mood amongst German companies remained good even at the close of the year according to the German Institute for Economic Research (DIW). According to DIW estimates, the economic situation developed favorably despite growth being lower than initially expected at the beginning of the year, as this is assessed as a normalization of the above-average growth over the past years.[1]

According to the German Federal Statistical Office ["Statistisches Bundesamt"], inflation-adjusted GDP saw less growth in the fiscal year than expected at the beginning of the year, coming in at 1.5%,[2] with the German economy expanding for the ninth year in a row. From a long-term perspective, GDP is slightly above the average seen during the last 10 years (1.2%).[3] While private consumer spending rose by merely 1.0% adjusted for inflation, public-sector spending also only saw below-average growth of 1.1%. In addition, the 4.8% growth in gross investment contributed to the overall growth in GDP.[4]

The number of people in employment reached 44.8 million in 2018,[5] another new record since German reunification, thereby exceeding the prior-year record of 44.3 million by a slight margin. Households' real disposable income increased by 3.2%.[6] Household spending on the basis of current prices was noticeably lower with growth of 1.0%.[7] The private household savings ratio for 2018 stood at 10.3% and was thus slightly up on the prior-year figure of 9.9%.[8] The rate of inflation (Harmonised Index of Consumer Prices) was up year on year in 2018 and stood at approximately 1.7%.[9]

Turkey

While the Turkish economy experienced significant growth of 7.4% in 2017,[10] driven in particular by public spending and exports, 2018 saw domestic demand, inflation and the current account deficit continue to rise until the middle of the year, in particular due to political impetus. The strong decrease in domestic demand in the second half of the year was only partly compensated for by an increase in exports. Compared to the prior year, the country saw growth of just 3.3%.[11] The rate of inflation (Harmonised Index of Consumer Prices) stood at a high 20.3% compared with 11.2% in 2017.[12]

Development of the out-of-home and online advertising industry in 2018

The Western European advertising market has been recovering consistently since 2014. For 2018, Zenith expects a 3.4% increase in the (price-adjusted) net advertising spend.[13] Once again, online advertising in particular reported rigorous growth of 11.3%.,[14] whereas print media are still struggling with growing losses (down 7.1%[15]). By contrast, the advertising spend in television increased by 0.5%[16] In the western European market out-of-home advertising rose by 2.4%.[17]

Germany

According to data collected by Nielsen on gross advertising spending, the advertising market grew by a mere 0.03%[18] year on year in 2018. In our view, however, the gross advertising data provided by Nielsen only indicate trends and can only be used to a limited extent to draw conclusions about net figures due to differing definitions and market territories. The forecast by Zenith is somewhat

Quellen:
1 Source: DIW Berlin – Economic Barometer, December 2018
2 Source: German Federal Statistical Office – GDP 2018, January 2019
3 Source: German Federal Statistical Office – GDP 2018, January 2019
4 Source: German Federal Statistical Office – GDP 2018, January 2019
5 Source: German Federal Statistical Office – GDP 2018, January 2019
6 Source: German Federal Statistical Office – GDP 2018, January 2019
7 Source: German Federal Statistical Office – GDP 2018, January 2019
8 Source: German Federal Statistical Office – Domestic output calculation, January 2019
9 Source: Global Rates – Inflation
10 Source: OECD Economic Outlook, Volume 2018 Issue 2: Preliminary version
11 Source: OECD Economic Outlook, Volume 2018 Issue 2: Preliminary version
12 Source: Global Rates – Inflation
13 Source: Zenith Advertising Expenditure Forecast, December 2018
14 Source: Zenith Advertising Expenditure Forecast, December 2018
15 Scource: Zenith Advertising Expenditure Forecast, Dezember 2018
16 Source: Zenith Advertising Expenditure Forecast, December 2018
17 Source: Zenith Advertising Expenditure Forecast, December 2018
18 Source: Nielsen Brutto Werbemarkt (Gross Advertising Market), December 2017

higher, with the agency's current estimate for 2018 indicating stronger growth of 2.0% in the net advertising spend compared with the prior year.[19]

According to Zenith, digital media is the growth driver, with its net advertising spend growing 8.8%[20]. As the biggest loser once again, the print segment recorded a loss of 5.5%[21] in the fiscal year. Reliable estimates of any shifts in market share cannot be made until the final net market figures are published. However, we expect the online segment in particular as well as out-of-home advertising to have won further market share.

Turkey

Zenith puts growth in net advertising spending in the Turkish market at 6.2%,[22] with the out-of-home segment growing by 2.0% according to the agency's forecast.[23]

Development of exchange rates in 2018[24]

In 2018, the exchange rates primarily relevant to our business were the euro to Turkish lira and pound sterling rates. The Turkish lira started the year at 4.55 TRY/EUR in January 2018. The exchange rate trend emulated that of prior years with the currency massively losing further ground. Having bottomed out at 7.87 TRY/EUR in August, the Turkish lira recovered slightly but was still once again considerably weaker at year-end than at the beginning of the year at 6.07 TRY/EUR. On an annual average, the Turkish lira thus lost around 28% overall compared with the prior-year average due to the high inflation rate and deficits in the Turkish current account as well as the low key interest rate, which the Turkish government kept unchanged for a long time despite the high inflation rate.

As of the end of 2018, the pound sterling was nearly on a par with the level at the beginning of the year. Having been quoted at 0.89 GBP/EUR at the start of the year, the pound was at 0.90 GBP/EUR following a few fluctuations. The annual average was at 0.88 GBP/EUR. The fundamentals of UK economic development support the course of the pound sterling, although the uncertain effects of the Brexit vote caused some volatility.

Financial performance of the Group

Overall assessment of the board of management on the economic situation

Fiscal year 2018 saw a continuation of the excellent performance of the last few years and was very successful overall for the Ströer Group with all three Ströer segments contributing to the pleasing result. The performance indicators key to us, namely revenue and operational EBITDA, as well as all the other performance indicators very clearly reflect the consistent positive development, underscored by the substantial rise in business activities. Ströer also divested itself of its Turkish OOH business in the past fiscal year, choosing to focus more keenly on its core business instead.

At the same time, assets, liabilities and the financial position remained extremely stable and sound. The leverage ratio remained at a consistently low level despite extensive M&A activities and in spite of other considerable growth investments. Despite extensive one-off payments in the fiscal year, the free cash flow (before M&A transactions) is also testimony to a further increase in operating activities and is once again indicative of the Group's overall net earnings power. The financial position is well balanced and very comfortable with a consistently robust equity ratio.

Overall, we therefore believe the Ströer Group is very well positioned both in operational and financial terms to flexibly capitalize on future opportunities arising from the structural changes occurring in the media market.

[19] Source: Zenith Advertising Expenditure Forecast, December 2018
[20] Source: Zenith Advertising Expenditure Forecast, December 2018
[21] Source: Zenith Advertising Expenditure Forecast, December 2018
[22] Source: Zenith Advertising Expenditure Forecast, December 2018
[23] Source: Zenith Advertising Expenditure Forecast, December 2018
[24] Source: European Central Bank (ECB), Bloomberg

Comparison of forecast and actual business development

The forecasts we made for fiscal year 2018 were based at the time on a cautiously optimistic assessment of the economic conditions. However, annual forecasts in our industry are naturally subject to major uncertainties due to customer bookings frequently being made at short notice, volatile market sentiment and economic fluctuations. Our forecast for the development of economic conditions was largely as expected. We view the targets set for 2018 financial year all as achieved.

	Projected earnings for fiscal year 2018	Actual earnings in fiscal year 2018
Organic growth	Growth in the mid to upper single-digit percentage range	7.6%
Operational EBITDA	Increase to EUR 375m	EUR 367.8m
Operational EBITDA margin	Almost unchanged (2017: 25.5%)	23.2%
ROCE	Almost unchanged (2017: 18.2%)	19.3%
Adjusted consolidated profit	Increase to EUR 215m	EUR 213.0m
Free cash flow (before M&A transactions)	Increase to EUR 150m[28]	EUR 151.0m
Leverage ratio	Consistently low (excluding M&A transactions) (2017: 1.44)	1.43 (with extensive M&A transactions)

The forecast values, as well as the results actually achieved, refer to accounting before IFRS 16.

Financial performance of the Group

Consolidated income statement[25]

In EUR m	2018	2017
Revenue	1,582.5	1,283.0
EBITDA	514.4	306.5
Operational EBITDA[26]	543.4	326.7
EBIT	170.3	143.7
Financial result	–34.1	–7.9
Profit or loss before taxes	136.2	135.8
Income taxes	–22.0	–19.8
Post-tax profit or loss from continuing operations	114.2	116.0
Post-tax profit or loss from discontinued operations	–120.0	–17.6
Consolidated profit or loss	–5.8	98.5

On the back of the Ströer Group's renewed growth, **revenue** swelled by EUR 299.5m to EUR 1,582.5m in the fiscal year (prior year: EUR 1,283.0m). Besides positive effects from the newly acquired entities, this increase was also attributable to the substantial growth in organic revenue that was generated across all segments. As a result, this development more than made up for the revenue lost from the sale of the Vitalsana and Bodychange business and the discontinuance of several units in the e-commerce business (t-online shop, stylefruits). Overall, reported revenue growth stood at 23.3% and organic revenue growth at 7.6%.[27]

[25] With a view to the introduction of IFRS 16, the Ströer Group applied the modified retrospective method, under which the comparative figures for 2017 presented in the financial performance were not restated retrospectively to account for IFRS 16.

[26] The Ströer Group adjusted its internal reporting structure as of 1 January 2018 to reflect the provisions of IFRS 11 for the accounting of joint ventures. By aligning the internal and external reporting, the four joint ventures in the Ströer Group are now also consolidated using the equity method in the internal reporting and no longer at 50% applying the proportionate method. This change mainly affected several non-GAAP KPIs (operational EBITDA, operational EBITDA margin, adjusted EBIT, net income (adjusted), net debt, the leverage ratio, ROCE) and the segment revenue for the OOH Media segment. Operational EBITDA for 2018 is therefore EUR 5.3m lower. The comparative figures for 2017 were not restated.

[27] The Ströer Group sold its Turkish OOH business in the fourth quarter of 2018. As the Turkish OOH business, unlike the other discontinued operations such as Vitalsana, t-online shop, etc., constituted a discontinued operation within the meaning of IFRS 5, all items of the consolidated income statement for both fiscal year 2018 and 2017 were adjusted for the Turkish OOH business. The adjusted amounts were reclassified to profit or loss from discontinued operations.

[28] The original forecast of EUR 175m was reduced to EUR 150m on account of tax payments which were payable earlier than expected.

The following table shows the development of external revenue by segment:

In EUR m	2018	2017
Out-of-Home Media	647.4	593.0
Direct Media	377.5	182.7
Digital OOH & Content	557.6	521.3
Equity method reconciliation (IFRS 11)	0	–14.0
Total	**1,582.5**	**1,283.0**

Due in particular to the expansion of dialog marketing, there was a further marked shift in the composition of consolidated revenue toward domestic activities. While domestic revenue increased from EUR 1,156.8m to EUR 1,442.9m, foreign revenue, at EUR 139.6m, was slightly lower than in the prior year (prior year: EUR 140.3m). Expressed as a percentage, foreign revenue therefore accounted for 8.8% (prior year: 10.9%).

The Ströer Group's revenue is subject to considerable seasonal fluctuations, as is revenue from the rest of the overall media industry. This impacts the development of both revenue and earnings during the course of the year for the Ströer Group. While the second and fourth quarters are generally marked by higher revenue and earnings contributions, the first and third quarters are usually weaker. This pattern is reflected in the table below, which shows the quarterly distribution of revenue and operational EBITDA.

Revenue development by quarter

In EUR m	
Q1	329.1
Q2	396.8
Q3	386.8
Q4	469.8
Q1–Q4	**1,582.5**

Operational EBITDA development by quarter

In EUR m	
Q1	107.6
Q2	129.2
Q3	127.1
Q4	179.4
Q1–Q4	**543.4**

In view of the significant growth in the volume of the Ströer Group's operations, **cost of sales**, by analogy to revenue, also rose once again. While EUR 845.6m was recorded in the prior year, cost of sales came to EUR 1,032.9m in the fiscal year, with a considerable portion of that increase stemming from the first-time inclusion of newly acquired entities in the consolidated financial statements. At the same time, additional costs from higher revenue-induced publisher fees (digital marketing) and investments in growth projects such as watson.de and Statista also played their part. Conversion to the new IFRS 16 had, by contrast, a positive effect on cost of sales, as the prior-year figures were not adjusted for the positive IFRS 16 effect of EUR 15.1m. Overall, gross profit came to EUR 549.5m, up EUR 112.1m on the prior year. The gross profit margin stood at 34.7% (prior year: 34.1%).

The growth course also manifested itself in its **selling and administrative expenses**, with EUR 329.3m incurred in the prior year whereas EUR 410.7m recognized by the Group in the reporting period. This increase was primarily attributable to the additional costs from the newly acquired entities, the further expansion of the local sales force in Germany, targeted investments in the Digital OOH & Content segment, high integration and reorganization expenses as well as cost adjustments due to inflation. The first-time application of IFRS 16 to selling and administrative expenses played only a secondary role in this regard. Overall, at 26.0%, selling and administrative expenses as a percentage of revenue were only marginally higher than in the prior year (25.7%) due to the strong revenue growth. In terms of **other operating income** (EUR 43.3m), the Group saw a decrease of EUR 4.2m year on year as the prior-year figure had benefited in particular from the gain on disposal of the Vitalsana business (prior year: EUR 47.5m). In other regards, **other operating expenses** inched a slight EUR 0.8m downwards to EUR 16.9m (prior year: EUR 17.7m). The Group's share in **profit or loss of equity method investees** was also down slightly at EUR 5.1m, not quite able to match the excellent prior-year result of EUR 5.9m.

Thanks to the continuation of the profitable growth course, **operational EBITDA**, excluding IFRS effects, was boosted by EUR 41.1m. Together with the effects from IFRS 16 (EUR 180.8m) and IFRS 11 (EUR –5.3m), operational EBITDA increased to EUR 543.4m. **EBIT** also improved by EUR 26.6m, with the increase to EUR 170.3m attributable to both the further increase in operating activities (EUR 16.1m) and first-time application of IFRS 16 (EUR 10.4m). The return on capital employed (**ROCE**) stood at 19.3% and was once again slightly higher than in the prior year (prior year: 18.2%).

As a result of the introduction of IFRS 16, the Ströer Group's **financial result** was weighed down by EUR –21.4m as the lease liabilities to be reported for the first time have to be compounded up until their maturity. Taking other effects into account, the financial result came to a total of EUR –34.1m (prior year: EUR –7.9m).

The improvement in the Group's operating activities was dampened by negative effects from the introduction of IFRS 16, resulting in only a slight increase in profit or loss before taxes. As a result, the **tax expense** only increased marginally year on year, from EUR 19.8m to EUR 22.0m.

Consolidated profit or loss from discontinued operations (EUR –120.0m; prior year: EUR –17.6m) contains both the operating result of the Turkish OOH business until its sale as well as the loss on disposal from the sale in October 2018.[1] The loss on disposal includes in particular the exchange losses of recent years from converting the Turkish lira to the euro. These exchange losses were of a non-cash nature in 2018 and did not reduce equity of the Ströer Group at the date of the company's sale.

With regard to the continuing operations, the Ströer Group forged ahead on its profitable growth path once again in fiscal year 2018 and achieved **consolidated profit from continuing** operations of EUR 114.2m, just short of the record prior-year result of EUR 116.0m. Had it not been for the introduction of IFRS 16 and the related negative upfront effect,[2] the result would have been EUR 7.8m higher. **Consolidated profit or loss** came to EUR –5.8m (prior year: EUR 98.5m). By contrast, **adjusted consolidated profit** grew strongly once more by EUR 13.9m to EUR 199.6m.

The Ströer Group continued on its profitable growth course in the fiscal year and can look back on a very successful year in 2018.

Assets, liabilities and financial position

Overall assessment of assets, liabilities and financial position

The Ströer Group's assets, liabilities and financial position are extremely sound and very well balanced. The Group has undrawn committed credit lines within the scope of the existing credit facilities of EUR 520.3m (prior year: EUR 585.5m) which are available until December 2023. Including a cash balance, the Group had unutilized financing facilities of EUR 624.0m (prior year: EUR 670.5m) at its disposal as of the reporting date. Besides external financing, which is secured for the long term, the Group also has strong internal financing power. Particular mention should be made in this regard of cash flows from operating activities of EUR 419.0m (prior year: EUR 245.6m (before IFRS 16)) and free cash flow (before M&A transactions) of EUR 306.4m (prior year: EUR 145.5m (before IFRS 16))[3]. At the same time, the leverage ratio (defined as the ratio between net debt and operational EBITDA) remains at a pleasingly low level of 1.43 (prior year: 1.44) despite extensive M&A investments. Together with a robust equity ratio, the overall position is very strong and sound.

Main features of the financing strategy

Ströer is systematically pursuing a conservative and long-term financing strategy. Securing financial flexibility is a top priority of the Ströer Group. We ensure this through a selection of financing instruments that adequately reflects criteria such as market capacity, investor diversification, flexibility in utilization, covenants and the maturity profile.

The main objectives of the Ströer Group's financial management include:

- Safeguarding liquidity and its efficient management throughout the Group
- Maintaining and continuously optimizing the Group's financing capabilities
- Reducing financial risks, including by using financial instruments
- Optimizing the cost of capital for debt and equity

[1] We refer to our comments on consolidated profit or loss from discontinued operations in section 6.2 of the notes to the consolidated financial statements.
[2] We refer to our comments on the upfront effect in section 4 of the notes to the consolidated financial statements.
[3] The amounts relate to continuing operations.

The financing of the Ströer Group is structured in such a way that it provides us with a sufficient degree of flexibility to react appropriately to changes in the market or competition. We also see the ongoing optimization of our financing costs and loan covenants as well as the diversification of our investors as further important financing objectives.

As part of our financing, we ensure that our financial liabilities have an appropriate maturity profile and that the portfolio of banks and financial intermediaries with which we work is appropriate and stable. We operate on the basis of binding standards that ensure transparency and fairness for lenders. In working with our lending banks, it is of particular importance to us that we establish long-term and sustainable relationships.

Our external financing leeway and financial flexibility are mainly based on two instruments: the first instrument comprises several note loans which Ströer SE & Co. KGaA placed on the capital market in June 2016 and October 2017 and are valued at EUR 145.0m and EUR 350.0m, respectively, as of 31 December 2018. These loans have several tranches with terms of mainly five and seven years, with a volume of EUR 207.0m subject to a fixed interest rate. The investor base was substantially diversified by placing these loans. In addition, the note loans have helped us to accordingly reduce the utilization of the existing credit facility and have considerably expanded our financial flexibility.

The second instrument relates to a credit facility of EUR 600.0m which was renegotiated with a banking syndicate in December 2016 and which may be extended by a further EUR 100.0m. Besides a further improvement in the conditions on the basis of the negotiated facility, the documentation was also adjusted to reflect the investment grade status of the Ströer Group. The term of this financing was originally agreed for five years up to December 2021, with the option to extend the term by an additional year in each case at the end of the first and second year. An extension until December 2023 has since been agreed with the participating banks. The total volume of EUR 600.0m is structured as a flexible revolving facility, which grants the Ströer Group tremendous financial flexibility.

For both financing components the loans were granted without collateral. The financial covenants reflect customary market conditions in all cases and relate to the key performance indicator of leverage ratio, which was met as of year-end with plenty of leeway. The costs incurred in connection with setting up the two financing instruments are amortized over the respective term of the agreements. This provides the Ströer Group with very flexible, stable, long-term financing at low borrowing costs. The Group had financing facilities of EUR 624.0m (prior year: EUR 670.5m) available to it as of 31 December 2018 from unutilized credit lines under the credit facility agreement including a cash balance (EUR 103.7m).

As of the reporting date, no single bank accounted for more than 20% of all loan amounts drawn down in the Ströer Group, hence there is a balanced diversification in the provision of credit. As part of the financing strategy, the board of management also regularly examines the possibility of hedging residual interest rate risks by also using fixed-interest derivatives.

In cash management, we focus on managing our liquidity and optimizing the cash flows within the Group. The financing requirements of subsidiaries, if they cannot be covered by the entity's internal financing, are primarily met by intercompany loans as part of automated cash pooling. In exceptional circumstances, credit facilities are also agreed with locally based banks in order to meet legal, tax or operational requirements. In accordance with these guiding principles, the subsidiaries were once again mainly financed via the group holding company in 2018. At group level, any liquidity surpluses in the individual entities are pooled, where legally possible. Through the group holding company, we ensure at all times that the financing requirements of the individual group entities are adequately covered.

The Ströer Group's leverage ratio remained at the prior-year level (1.43; prior year: 1.44) on the back of the marked positive earnings trend despite extensive M&A outflows and in spite of extended investment activities in other growth projects. In 2018, Ströer SE & Co. KGaA and its group entities complied with all loan covenants and obligations from financing agreements.

Continuously increasing capital requirements on banks are having a significant impact on their lending. As a result, our objective in the medium term is to diversify our financing structure, which is currently based heavily on banks, in favor of more capital market-oriented debt. For this purpose, we periodically examine various alternative financing options as part of our financing management (such as issuing corporate bonds) and also take into account the further optimization of the maturity profile of our financial liabilities.

Financial position[1]

Liquidity and investment analysis

In connection with the adoption of IFRS 16[2], a number of advertising concession contracts in the Ströer Group's OOH business had to be reclassified as leases within the meaning of the new standard. In this connection, a significant portion of lease payments have been classed as payment of the principal portion of a lease liability since 1 January 2018 and no longer treated as an operating lease payment. Against this backdrop, the Ströer Group's statement of cash flows has seen a corresponding shift between cash flows from operating activities and cash flows from financing activities. In addition, some cash payments are no longer presented under cash flows from investing activities but under cash flows from financing activities instead, such that there has been slight shifts here as well. The following reconciliation shows the cash flows before and after IFRS 16, whereby the amounts relate exclusively to the continuing operations.

In EUR m		**2018**	**2017**
(1)	**Cash flows from operating activities (before IFRS 16)**	**259.1**	**245.6**
(2)	Reclassification of cash payments for the principal portion of lease liabilities (IFRS 16 effect)	159.9	144.1
(3)	**Cash flows from operating activities**	**419.0**	**389.7**
(4)	Cash received from the disposal of intangible assets and property, plant and equipment (before IFRS 16)	7.4	9.1
(5)	Cash paid for investments in intangible assets and property, plant and equipment (before IFRS 16)	–115.5	–109.1
(6)	Cash paid for investments in equity method investees and financial assets	–2.3	–1.9
(7)	Cash received from and cash paid for the acquisition of consolidated entities	–71.6	–130.4
(8)	**Cash flows from investing activities (before IFRS 16)**	**–181.9**	**–232.3**
(9)	Reclassification of cash paid for and cash received from investments and divestments (IFRS 16 effect)	–4.5	–4.0
(10)	**Cash flows from investing activities**	**–186.5**	**–236.4**
(11)	**Cash flows from financing activities (before IFRS 16)**	**–57.6**	**6.9**
(12)	Reclassification of cash payments for the principal portion of lease liabilities and cash paid for and cash received from investments/divestments (IFRS 16 effect)	–155.4	–140.1
(13)	**Cash flows from financing activities**	**–213.0**	**–133.2**
(14)	Change in cash (continuing operations)	19.5	20.1
(15)	**Cash at the end of the period**	**103.7**	**84.2**
(1)+(4)+(5)	Free cash flow before M&A transactions (before IFRS 16)	151.0	145.5
(3)+(4)+(5)+(9)	**Free cash flow before M&A transactions**	**306.4**	**285.7**

[1] The Ströer Group sold its Turkish OOH business in the fourth quarter of 2018. The figures in this section have therefore been adjusted for the discontinued operations in line with the provisions of IFRS 5. The prior-year figures in the statement of cash flows were adjusted accordingly.
[2] For more details, see our explanations in section 4.

The Ströer Group closed fiscal year 2018 with **cash flows from operating activities** of EUR 419.0m (prior year: EUR 245.6m). Adjusted for the effects of the new IFRS 16, cash flows from operating activities came to a total of EUR 259.1m, marking a new record for Ströer and growth of EUR 13.5m against the already excellent prior-year figure. While the positive effect stemmed mainly from the Group's operating activities, considerably higher tax payments in particular (up EUR 32.0m) had a downward effect. The increased cash payments stemmed mainly from advance tax payments for 2017 and 2018, whose payment, based on the tax authorities' practice to date, was originally not expected until 2019 and 2020. Working capital was slightly improved by contrast, having had an adverse effect in the prior year.

The Group's continued growth course also had a noticeable impact on **cash flows from investing activities**, despite net investments in business acquisitions being significantly lower than in the prior year (EUR 71.6m; prior year: EUR 130.4m). Our growth investments continued to focus on dialog marketing, namely the acquisitions of the DV-COM group, the D+S 360 group and the C2E group. By contrast, cash paid for investments in intangible assets and property, plant and equipment only increased moderately year on year. Overall, **free cash flow before M&A transactions**, excluding IFRS 16 effects, came to a considerable EUR 151.0m and was thus once again up EUR 5.4m against the record prior-year figure of EUR 145.5m. Taking IFRS 16 into account, by contrast, the year-end figure came to EUR 306.4m.

In terms of the Group's financing, the development of net cash raised (EUR 39.8m; prior year: EUR 99.4m) reflects the reduced volume of our M&A activities year on year. At the same time, higher dividend payments were largely offset by lower cash outflows for increasing shareholdings in group entities. Overall, **cash flows from financing activities**, adjusted for IFRS 16 effects, therefore largely reflected the development of M&A activities as described above (EUR –57.6m; prior year: EUR 6.9m). Taking into account the cash payments for the principal portion of lease liabilities to be included for the first time in accordance with IFRS 16, cash flows from financing activities came to EUR –213.0m in total.

The Ströer Group had **cash** of EUR 103.7m at the end of fiscal year 2018.

Financial structure analysis

At year-end 2018, 77.2% (prior year: 75.3%) of the Ströer Group's **financing** was covered by equity and non-current debt. Well over 100.0% of the current liabilities of EUR 672.9m (prior year: EUR 464.0m) are financed at matching maturities by current assets of EUR 340.8m (prior year: EUR 331.3m) as well as available, long-term secured credit lines under the credit facility of EUR 520.3m (prior year: EUR 585.5m).

In terms of **financial liabilities**, Ströer reported the strongest year-on-year change by far in lease liabilities, which increased by EUR 1,055.3m for the year as a whole solely due to the introduction of IFRS 16. Furthermore, the increase in liabilities to banks was also notable, with all other developments of marginal significance.

Net debt, operational EBITDA and the leverage ratio are calculated in accordance with the Ströer Group's internal reporting structure. Against this background, the four entities accounted for using the equity method in which Ströer holds 50.0% of shares have been included in these KPIs on a proportionate basis until 31 December 2017 in line with the internal reporting structure.

As of 1 January 2018, Ströer adjusted its internal reporting structure such that, in line with **IFRS 11**, these four entities are now only included with their pro rata "equity-method value" in these non-GAAP figures. Due to this change, the internal reporting structure now reflects the Ströer Group's external reporting structure such that the previous reconciling item "IFRS 11 adjustment" is not applicable any longer and net debt has increased by this adjustment amount (EUR 6.2m).

With a view to the adoption of **IFRS 16** and the related recognition of additional lease liabilities, the Ströer Group bases the calculation of its net debt on its existing loan agreements with lending banks. The lease liabilities under IFRS 16 were excluded specifically from the calculation of net debt in both the facility agreement and the contractual documentation on the note loans as in the opinion of the contracting parties the economic situation of the Ströer Group does not change as a result of the adoption of IFRS 16. Against this background and for the sake of consistency, the effects of IFRS 16 on operational EBITDA are also not reflected in the calculation of the leverage ratio.

In EUR m		31 Dec 2018	31 Dec 2017
(1)	Lease liabilities (IFRS 16)	1,055.3	–
(2)	Liabilities from the facility agreement	64.2	–
(3)	Liabilities from note loans	494.1	493.9
(4)	Liabilities from the obligation to purchase own equity instruments	75.4	96.5
(5)	Liabilities from dividends to non-controlling interests	9.6	5.3
(6)	Other financial liabilities	53.4	49.1
(1)+(2)+(3)+(4)+(5)+(6)	Total financial liabilities	1,752.1	644.8
(2)+(3)+(5)+(6)	Total financial liabilities excluding lease liabilities (IFRS 16) and liabilities from the obligation to purchase own equity instruments	621.4	548.3
(7)	Cash	103.7	85.0
(8)	IFRS 11 adjustment	–	6.2
(2)+(3)+(5)+(6)–(7)–(8)	**Net debt**	**517.7**	**457.1**
Leverage ratio		**1.4**	**1.4**

The growth investments made in the fiscal year also entailed a moderate increase in net debt. A EUR 6.2m portion of the increase also stems from the IFRS 11 adjustments. Net debt therefore rose by EUR 60.5m overall to EUR 517.7m. At the same time, the leverage ratio (defined as the ratio between net debt and operational EBITDA) remains at a pleasingly low level of 1.43 as of year-end.

As a result of the continuous growth of the Ströer Group, current and non-current **trade payables** increased from EUR 215.2m to EUR 261.8m. This increase was offset in particular by **deferred tax liabilities** and **current income tax liabilities**. In addition to considerably higher tax payments, the ongoing reversal of deferred tax liabilities recognized in connection with purchase price allocations also had an effect here.

At EUR 669.0m (prior year: EUR 669.7m), the Group's **equity** was slightly down year on year. Consolidated profit from continuing operations of EUR 114.2m (prior year: EUR 116.0m) was contrasted by the payment of a dividend of EUR 72.5m (prior year: EUR 60.8m). Furthermore, the sale of the Turkish OOH business had an adverse effect on equity (overall effect of EUR 20.2m). The equity ratio, adjusted for IFRS 16, was only marginally lower than in the prior year at 34.5% (prior year: 35.6%). Taking IFRS 16 into account, the ratio stood at 22.3%.

Capital costs

In the Ströer Group, cost of capital relates to risk-adjusted return on investment requirements and, for the purpose of measurement in the consolidated financial statements, is determined in accordance with the capital asset pricing model and the WACC (weighted average cost of capital) approach. Cost of equity is derived from capital market information as the return expected by shareholders. We base borrowing costs on returns on long-term corporate bonds. In order to account for the different return/risk profiles of our main activities, we calculate individual cost of capital rates after income taxes for our business areas.

Assets and liabilities

Consolidated statement of financial position

In EUR m	31 Dec 2018	31 Dec 2017
Assets		
Non-current assets	2,640.5	1,550.2
Current assets	340.8	331.3
Held for sale[2]	15.0	–
Total assets	**2,996.3**	**1,881.5**
Equity and liabilities		
Equity	669.0	669.7
Non-current liabilities	1,645.1	747.8
Current liabilities	672.9	464.0
Held for sale[2]	9.3	–
Total equity and liabilities	**2,996.3**	**1,881.5**

Analysis of the structure of assets and liabilities

Non-current assets swelled by EUR 1,090.3m to EUR 2,640.5m in the reporting period. The new IFRS 16, Leases, was largely responsible for this increase with its introduction seeing the recognition of additional right-of-use assets from leases of EUR 1,041.0m. In addition, the business acquisitions in particular in dialog marketing led to the recognition of additional intangible assets.

By contrast, **current assets** only increased by EUR 9.5m to EUR 340.8m. In this context, notable changes were at most from the increase in cash. Furthermore, the assets of two entities up for sale were reclassified as "Assets held for sale."

Thanks to its strong market position, **off-balance sheet assets** of the Ströer Group include in particular a broad-based portfolio of sustainable customer relationships. Only the small portion of these customer relationships that arose from business combinations is recognized as an asset. Furthermore, until 31 December 2017, off-balance sheet assets also comprised a considerable portfolio of internally generated advertising concessions with municipalities and private landlords. These assets were largely recognized for the first time as of 1 January 2018 with the introduction of IFRS 16.

Financial performance of the segments

As of 1 January 2018, the Ströer Group consolidated its OOH Germany and OOH International segments in a new segment, OOH Media. At the same time, the previous segment Ströer Digital was split into two new segments, namely Digital OOH & Content[1] and Direct Media. The new segmentation reflects the diminished significance of the international OOH business as well as the ongoing expansion of digital business, particularly in the area of dialog marketing. The prior-year figures were restated accordingly. In addition, the Ströer Group sold its Turkish OOH business in the fourth quarter of 2018. The figures in this section have therefore been adjusted for the discontinued operations of the Turkish OOH business in line with the provisions of IFRS 5. The prior-year figures were restated retrospectively.

In addition, as of 1 January 2018, Ströer no longer includes its four joint ventures on a proportionate basis in its segment reporting. The prior-year figures were adjusted retrospectively, reducing revenue from the OOH Media segment in fiscal year 2017 by EUR 14.0m and operational EBITDA by EUR 5.0m.

[1] The new segment as of 1 January 2018 was referred to in the interim quarters Q1 to Q3 2018 as Content Media and was renamed Digital OOH & Content as of 31 December 2018. In substance, the Content Media and the Digital OOH & Content segment are identical. The segment was renamed at the end of 2018 in order to better reflect the core business of the segment.

[2] The item "Held for sale" includes assets held for sale and the associated liabilities.

Out-of-Home Media

In EUR m	2018	2017	Change	
Segment revenue, thereof	**663.7**	**590.0**	**73.7**	**12.5%**
Large formats	316.6	296.2	20.3	6.9%
Street furniture	149.7	143.9	5.8	4.0%
Transport	61.1	61.1	0.0	0.0%
Other	136.3	88.7	47.6	53.6%
Operational EBITDA (before IFRS 16 and IFRS 11)	168.3	163.4	4.9	3.0%
IFRS 16 effect	146.8	136.1	10.7	–
IFRS 11 effect	–5.2	–5.0	–0.2	–
Operational EBITDA	**309.9**	**294.5**	**15.4**	**5.2%**
Operational EBITDA margin	**46.7%**	**49.9%**	**–3.2 percentage points**	

Revenue in the OOH Media segment, of which around 90% is accounted for by the former OOH Germany segment in terms of revenue, grew strongly by EUR 73.7m to EUR 663.7m in fiscal year 2018 despite an overall challenging market environment.

In terms of the individual product groups, performance was also positive. The **large formats** business recorded significant growth (up EUR 20.3m to EUR 316.6m) on the back of robust demand for traditional out-of-home products and as a result of our stepped-up local sales activities. The **street furniture** product group, which mainly serves national and international customer groups in the German OOH market, reported a slight increase in revenue to EUR 149.7m in fiscal year 2018 over the relatively strong prior year (prior year: EUR 143.9m). Revenue in the **transport** product group, which operates almost exclusively in the German OOH market, was on a par with the prior year at EUR 61.1m (prior year: EUR 61.1m). The **other** product group gained significant ground, growing EUR 47.6m to EUR 136.3m. There were a number of different factors responsible for this positive development. Firstly, most of the Ambient Media business of United Ambient Media GmbH acquired at the end of 2017 is reported in this group along with other smaller complementary acquisitions. Also, full-service solutions (including the production of advertising materials) are traditionally in higher demand from our growth field of local and regional customers than from large national customers. These additional services are reported in the other product group. Thirdly, business with our roadside screen product also made a positive contribution to the performance of this product group.

Overall, the segment generated an operational EBITDA increase of EUR 15.4m to 309.9m (prior year: EUR 294.5m (adjusted for IFRS 11 and IFRS 16)) and an operational EBITDA margin of 46.7% (prior year: 49.9% (adjusted for IFRS 11 and IFRS 16)) in fiscal year 2018. Our core OOH business maintained or in some cases slightly increased its margins while the most recent acquisitions contributed to lower margins due to business conditions.

Digital OOH & Content[2]

In EUR m	2018	2017	Change	
Segment revenue, thereof	**567.0**	**528.1**	**38.9**	**7.4%**
Display	297.2	278.4	18.9	6.8%
Video	130.3	119.6	10.7	9.0%
Digital marketing services	139.4	130.1	9.3	7.1%
Operational EBITDA (before IFRS 16)	180.8	167.9	12.9	7.7%
IFRS 16 effect	13.1	11.1	1.9	–
Operational EBITDA	**193.8**	**179.0**	**14.8**	**8.3%**
Operational EBITDA margin	**34.2%**	**33.9%**	**0.3 percentage points**	

[2] For information on the change in segment name, we refer to the explanations at the beginning of the section “Financial performance of the segments” and the corresponding footnotes

Revenue in the Digital & OOH Content segment increased significantly from EUR 528.1m to EUR 567.0m in fiscal year 2018, with all product groups contributing appreciably to this positive performance. The **display** product group generated significant growth of EUR 18.9m to EUR 297.2m. The product group clearly escaped the general market pressure on desktop display marketing in particular through the marketing of advertising formats on mobile devices and investments in automated forms of marketing. The **video** product group grew by a sizeable 9.0% to EUR 130.3m due to robust demand for moving-image formats in public spaces (public video), increased demand over the course of the year for our programmatic public video offering as well as heightened demand for new online video formats such as in-text video. In the **digital marketing services** product group, the rapidly growing business with subscription models (Statista) and local digital product marketing business with small and medium-sized customers (RegioHelden) were very positive in particular and resulted in revenue growth of 7.1% to EUR 139.4m for this product group in spite of some portfolio adjustments.

Overall, the segment's results were up significantly again on the excellent prior-year figure, with operational EBITDA of EUR 193.8m (prior year: EUR 179.0m (adjusted for IFRS 16)). At 34.2%, the operational EBITDA margin is slightly higher than in the prior year (prior year: 33.9% (adjusted for IFRS 16)).

The new segment Direct Media comprises the dialog marketing and transactional product groups. As the dialog marketing operations were newly acquired and some operations in the transactional product group were sold or discontinued, the prior-year figures are currently only of limited comparative information for these two product groups.[3]

The integration of the newly acquired operations was advanced significantly in **dialog marketing** in fiscal year 2018. The **transactional** product group recorded a decline in revenue (down EUR 23.9m to EUR 115.2m) in the face of the adjustments made to the portfolio. However, adjusted for the sale of the Vitalsana business and the discontinuation of e-commerce business (t-online shop and stylefruits) in December 2017, the product group generated strong revenue growth of 23.8% compared with the prior year, with own-product business in particular posting substantial e-commerce growth (AsamBeauty and Ströer Products).

All in all, the segment generated operational EBITDA of EUR 55.3m (prior year: EUR 20.8m (adjusted for IFRS 16)) and a considerably higher operational EBITDA margin of 14.6% in fiscal year 2018 (prior year: 11.0% (adjusted for IFRS 16)).

Direct Media

In EUR m	2018	2017	Change	
Segment revenue, thereof	**377.7**	**190.1**	**187.6**	**98.7%**
Dialog marketing	262.5	51.0	211.5	>+100%
Transactional	115.2	139.1	–23.9	–17.2%
Operational EBITDA (before IFRS 16)	45.2	18.8	26.4	>+100%
IFRS 16 effect	10.1	2.0	8.1	–
Operational EBITDA	**55.3**	**20.8**	**34.4**	**>+100%**
Operational EBITDA margin	**14.6%**	**11.0%**	**3.6 percentage points**	

[3] Unlike the Turkish OOH business, these businesses sold were not defined as cash-generating units within the meaning of IFRS 5 such that the prior-year figures were not restated

INFORMATION ON STRÖER SE & CO. KGAA

The management report of Ströer SE & Co. KGaA and the group management report for fiscal year 2018 have been combined pursuant to Sec. 315 (5) HGB ["Handelsgesetzbuch": German Commercial Code] in conjunction with Sec. 298 (2) HGB. The separate annual financial statements and the combined management report of the Company and the Group are published at the same time in the elektronischer Bundesanzeiger [Electronic German Federal Gazette].

Description of the Company

Ströer SE & Co. KGaA operates as the holding company. It exclusively performs group management duties and renders administrative and other services for the Group. These include in particular finance and group accounting, corporate and capital market communications, IT services, group controlling and risk management, research and product development as well as the legal and compliance and corporate development functions.

The following figures and comments relate to the separate annual financial statements of Ströer SE & Co. KGaA which were prepared in accordance with the provisions of the HGB and the AktG ["Aktiengesetz": German Stock Corporation Act].

Financial performance

Ströer SE & Co. KGaA generated profit for the period of EUR 644.0m (prior year: EUR 36.3m) on the back of the Ströer Group's consistently sound performance and the extraordinary earnings contribution from the intragroup restructuring (contribution of the shares of a group entity into another group entity). The Company clearly benefited from these two positive developments at group level with intragroup profit and loss transfers increasing by EUR 605.8m to EUR 778.9m year on year. At the same time, impairment of financial assets decreased by EUR 40.7m. This was contrasted by an increase in other operating expenses by EUR 45.7m, in particular in connection with the sale of the Turkish subsidiary Stroer Kentvizyon Reklam Pazarlama A.S., Istanbul, Turkey.

In EUR k	2018	2017
Revenue	25,524	22,968
Other operating income	18,554	4,144
Cost of materials	–6,954	–1,875
Personnel expenses	–31,263	–28,722
Amortization, depreciation and impairment of intangible assets and property, plant and equipment	–7,982	–5,620
Other operating expenses	–73,698	–27,987
Income from profit and loss transfer agreements and expenses from loss absorption	778,852	173,023
Income from other securities and loans classified as non-current financial assets	3,722	3,054
Impairment of financial assets	–28,375	–69,062
Other interest and similar income and interest and similar expenses	–8,688	–7,560
Income taxes	–25,641	–26,003
Post-tax profit	**644,050**	**36,360**
Other taxes	–41	–42
Profit for the period	**644,009**	**36,317**
Profit carryforward from the prior year	9,451	5,679
Withdrawals from other retained earnings	0	40,000
Accumulated profit	**653,460**	**81,996**

In line with the Group's steady overall growth, Ströer SE & Co. KGaA generated a **revenue** increase of EUR 2.6m to EUR 25.5m in fiscal year 2018. This was attributable in particular to higher intragroup rental income, whereas income from intragroup services was down on the prior year. The Company also generated a further increase in **other operating income**, benefiting not only from write-ups of financial assets but also from other out-of-period income and income from cost allocations. **Cost of materials** increased by EUR 5.1m to EUR 7.0m as higher rental income, recognized under revenue, was accompanied by another rise in rental expenses. At EUR 31.3m, **personnel expenses** were also up slightly on the prior-year amount of EUR 28.7m and **amortization, depreciation and impairment of intangible assets and property, plant and equipment** came to EUR 8.0m after EUR 5.6m in the prior year. In stark contrast, **other operating expenses** rose by EUR 45.7m. After EUR 28.0m in 2017, they came to EUR 73.7m in the reporting year, with most of the increase (EUR 41.1m) attributable to the loss on sale of the Turkish subsidiary Ströer Kentvizyon Reklam Pazarlama A.S., Istanbul, Turkey.

Ströer SE & Co. KGaA benefited enormously from intragroup **profit and loss transfers** (income from profit and loss transfer agreements and expenses from loss absorption) which came to a total of EUR 778.9m (prior year: EUR 173.0m). In addition to the further improvement of the subsidiaries' operating activities, the intragroup restructuring described above proved extremely advantageous for the Group. By contrast, **income from other securities and loans classified as non-current financial assets** as well as the **interest result** (other interest and similar income and interest and similar expenses) remained virtually unchanged at the prior year's level. In the fiscal year, **impairment of financial assets** (EUR 28.4m) mainly related to write-downs of intragroup loans in connection with the liquidation of minor entities, whereas, in the prior year (prior year: EUR 69.1m), impairment was primarily attributable to significant impairment losses recognized for the Turkish subsidiary Ströer Kentvizyon Reklam Pazarlama A.S., Istanbul, Turkey.

In the fiscal year, **income taxes** were down slightly on the prior-year figure at EUR 25.6m (prior year: EUR 26.0m) despite the substantial rise in earnings before taxes. This mainly reflects the fact that the intragroup restructuring described above was performed in a tax-neutral way. For detailed information on deferred taxes, see section C. 6 in the notes to the financial statements of Ströer SE & Co. KGaA.

Assets, liabilities and financial position

Due to the continuing expansion and the intragroup restructuring described above, Ströer SE & Co. KGaA's total assets increased by EUR 669.2m to EUR 2,179.0m in the reporting period. The EUR 678.8m increase in receivables and other assets in particular, which relates almost exclusively to higher receivables from affiliates (including profit and loss transfers), very clearly reflects this development. By contrast, the decrease in shares in affiliates under financial assets (down EUR 16.5m) – particularly as a result of the sale of the Turkish subsidiary Ströer Kentvizyon Reklam Pazarlama A.S., Istanbul, Turkey – was largely offset by higher loans to affiliates. On the equity and liabilities side of the balance sheet, the Group reported significant increases in equity (up EUR 577.0m), liabilities to banks (up EUR 63.8m) and liabilities to affiliates (up EUR 38.7m).

In EUR k	2018	2017
Assets		
Non-current assets		
Intangible assets and property, plant and equipment	37,501	25,158
Financial assets	811,598	828,078
	849,099	**853,236**
Current assets		
Receivables and other assets	1,324,646	645,843
Cash on hand and bank balances	182	4,915
	1,324,828	**650,758**
Prepaid expenses	**5,104**	**5,872**
Total assets	**2,179,031**	**1,509,865**
Equity and liabilities		
Equity	**1,402,772**	**825,821**
Provisions		
Provisions for pensions and similar obligations	0	7
Tax provisions	20,461	37,086
Other provisions	12,299	12,519
	32,760	**49,612**
Liabilities		
Liabilities to banks	559,974	496,184
Trade payables and other liabilities	19,235	12,616
Liabilities to affiliates	164,290	125,632
	743,499	**634,432**
Total equity and liabilities	**2,179,031**	**1,509,865**

Analysis of the asset structure

In the fiscal year, Ströer SE & Co. KGaA reported a EUR 12.3m increase in **intangible assets and property, plant and equipment**, largely due to the acquisition of new IT software and the purchase of rights of use and licenses for the further expansion of its IT landscape. These additions were only partly offset by regular amortization and depreciation.

The EUR 16.5m decrease in **financial assets** primarily relates to the reduction in shares in affiliates, particularly in connection with the sale of Ströer Kentvizyon Reklam Pazarlama A.S., Istanbul, Turkey. Taking into account further write-downs of other equity investments, shares in affiliates decreased by a total of EUR 56.5m, which contrasted with higher intragroup loans (up EUR 33.2m), with higher loans primarily being granted to finance additional business acquisitions in the area of dialog marketing. This increase was only counteracted by the inclusion of additional borrowers in the group-wide cash pool, resulting in a concurrent shift towards receivables and other assets.

There was a further EUR 678.8m increase in **receivables and other assets**, largely as a result of receivables from affiliates (up EUR 674.8m), for which the strong increase in profit and loss transfers and the liquidity required by individual subsidiaries to finance growth investments through the cash pool were responsible. The noticeable increase in profit and loss transfers was primarily attributable to the continuation of the profitable growth course and in particular the earnings effect from the intragroup restructuring described above. The abovementioned transfer of intragroup loans to Ströer SE & Co. KGaA's cash pool also resulted in an increase in receivables and other assets.

At EUR 0.2m, **bank balances** were EUR 4.7m lower than the prior year's EUR 4.9m.

Prepaid expenses were also down, at EUR 5.1m compared to EUR 5.9m in the prior year. This item chiefly includes capitalized borrowing costs incurred in prior years in connection with several adjustments of the credit facility. These costs have been deferred and are being released to expenses pro rata temporis over the term of the financing.

Financial structure analysis

As of the end of fiscal year 2018, the Company reported a clear increase in **equity** by EUR 577.0m to EUR 1,402.8m, primarily as a result of the considerable increase in profit for the period to EUR 644.0m (prior year: EUR 36.3m). In addition, the exercise of existing stock options of EUR 5.5m under a stock option plan (prior year: EUR 1.9m) had a positive impact, whereas the dividend distribution of EUR 72.5m to the shareholders of Ströer SE & Co. KGaA had a negative effect (prior year: EUR 60.8m). The equity ratio improved markedly to 64.4% (prior year: 54.7%), thus remaining at a very comfortable level.

The development of **provisions** was mainly influenced by the Company's significant tax payments in the fiscal year. Taking into account all other changes, provisions came to a total of EUR 32.8m, almost EUR 16.9m below the prior year's level.

By contrast, the Company recognized a EUR 63.8m increase in **liabilities to banks** to EUR 560.0m, reflecting the overall Group's additional liquidity needs under its growth strategy as the Ströer Group's external financing is almost exclusively arranged via the holding company. As of 31 December 2018, a total of EUR 495.0m of the liabilities related to note loans placed on the capital market (prior year: EUR 495.0m). The remaining amount related to borrowings under the existing credit facility. For further information on the increase in liabilities to banks, see the liquidity analysis in the following section.

Trade payables increased by EUR 11.3m year on year to EUR 17.7m.

At EUR 164.3m, the rise in **liabilities to affiliates** was even more pronounced (prior year: EUR 125.6m). For the most part, this was due to the subsidiaries' transferring cash funds to Ströer SE & Co. KGaA as part of the further optimization of the Group's refinancing.

As of the reporting date, **other liabilities** came to EUR 1.5m, down EUR 4.7m on the prior year, mainly due to a decrease in liabilities from wage and church taxes.

Liquidity analysis

In EUR m	2018	2017
Cash flows from operating activities	92.7	91.3
Cash flows from investing activities	–93.1	–50.1
Free cash flow	**–0.4**	**41.3**
Cash flows from financing activities	–4.3	–38.2
Change in cash	**–4.7**	**3.1**
Cash at the end of the period	0.2	4.9

In fiscal year 2018, Ströer SE & Co. KGaA achieved another slight increase in its **cash flows from operating activities** to EUR 92.7m, up from the already very positive prior-year level of EUR 91.3m. Cash flows were boosted in particular by the profit and loss transfers received in 2018 for 2017, which, at a net amount of EUR 173.0m, were noticeably higher than the prior year's EUR 122.0m. At the same time, significantly higher tax payments had an adverse effect in the fiscal year.

As in the prior year, the **cash flows from investing activities** continued to be shaped by growth investments in the area of dialog marketing in fiscal year 2018, with the bulk of net intragroup loan payments relating to these investments. In addition, Ströer SE & Co. KGaA stepped up its investments in intangible assets to EUR 13.2m (prior year: EUR 6.9m). Overall, cash flows from investing activities of EUR 93.1m were clearly up on the prior year's outflows of EUR 50.1m.

In contrast to intragroup loans, payments stemming from the group-wide cash pool are presented under **cash flows from financing activities**. As the overall liquidity requirements of the subsidiaries decreased in fiscal year 2018 and a larger portion was financed via intragroup loans (cash flows from investing activities), net payments from the group-wide cash pool only came to EUR 11.1m, down significantly on the prior year's EUR 118.3m. By contrast, payments for the dividend distribution to the shareholders of Ströer SE & Co. KGaA increased by EUR 11.7m to EUR 72.5m (prior year: EUR 60.8m). As a result of clower levels of liquidity required throughout the Group, net borrowings on the capital market also decreased year on year. While the Group had to raise EUR 139.0m in the prior year, net borrowings only came to EUR 73.8m in the fiscal year. Overall, cash outflows from financing activities amounted to EUR 4.3m (prior year: EUR 38.2m).

Cash on hand and bank balances stood at EUR 0.2m as of the reporting date (prior year: EUR 4.9m).

Ströer SE & Co. KGaA's **net financial assets** break down as follows as of the reporting date:

In EUR m	31 Dec 2018	31 Dec 2017
(1) Receivables from affiliates	1,312.0	637.2
(2) Loans to affiliates	142.3	109.1
(3) Cash on hand and bank balances	0.2	4.9
(1)+(2)+(3) Total financial assets	**1,454.5**	**751.2**
(4) Liabilities to banks	560.0	496.2
(5) Liabilities to affiliates	164.3	125.6
(4)+(5) Total financial liabilities	**724.3**	**621.8**
(1)+(2)+(3)-(4)-(5) Net financial assets	**730.2**	**129.4**
Equity ratio (in %)	**64.4%**	**54.7%**

The Company's net financial assets amounted to EUR 730.2m as of 31 December 2018 (prior year: EUR 129.4m). This considerable increase was mainly attributable to unusually high profit transfers by subsidiaries.

As the holding company, the development of Ströer SE & Co. KGaA is closely linked to the performance of the entire Ströer Group. Due to its positive net financial assets, comfortable equity ratio and the consistently very positive results of its subsidiaries, we are confident that the Company, like the entire Group, is extremely well positioned to meet future challenges.

Anticipated development of the Company

Due to its role as group parent, the anticipated development of Ströer SE & Co. KGaA depends on the development of the Group as a whole. Based on the Group's expected financial performance for 2019 presented under "Forecast," we expect the subsidiaries to generate even higher earnings contributions overall than in 2017 and Ströer SE & Co. KGaA to achieve even higher results in the future than in 2017. 2018 was an exceptional year due to the intragroup restructuring described above and not a benchmark for the future development of earnings.

INFORMATION ON THE SHARE

After six consecutive years of gains, the German stock market showed significant weakness in 2018. With the stock market trend having been generally positive in the prior years, 2018 saw the DAX record its poorest development at –18.3% (prior year: +12.5%) since the outbreak of the financial crisis in 2008. The SDAX, in which Ströer SE & Co. KGaA stock has been listed since 24 September 2018 following the update of Germany's benchmark index, fell by 20.0% (prior year: +24.9%).

The DAXsector All Media Index saw a similar development and closed the year down 23.7%.

Given the subdued mood on the stock market over the course of the year and the growing uncertainty about the wider economic outlook, 2018 was a comparatively weak year for the share price performance of Ströer SE & Co. KGaA stock. After the stock closed at a near-record level of EUR 61.60 in December of the preceding fiscal year and achieved a new all-time record of EUR 66.40 on 21 February 2018, it closed fiscal year 2018 considerably lower at EUR 42.18.

The Ströer share in comparison in 2018 (in percent)

Source: Bloomberg

Ströer's dialog with the capital market

In particular in times of stock market difficulty, active communication with the capital market is of great importance and represents the cornerstone of Ströer SE & Co. KGaA's investor relations. The aim of investor relations is to present the Company and explain its strategy and potential through continuous and personal contact with private and institutional investors, analysts and other interested capital market players. Ströer therefore promptly provided information about current developments in the Group through roadshows, conferences and meetings at our group headquarters.

The board of management of Ströer Management SE personally attended many meetings and answered the questions of capital market participants. To best manage our investor relations work, we analyze our shareholder structure on an ongoing basis and plan our roadshow activities accordingly. The main venues for our presentations in the reporting year were once again Frankfurt am Main, London, Paris and New York. Besides other financial centers in North America, we visited all major European capital markets at regular intervals. Furthermore, the board of management of Ströer Management SE presented Ströer's development in detail at a Capital Markets Day in London in the fiscal year.

Another key communication channel is our website www.stroeer.com, → where we promptly publish capital market-related information and documents.

Shareholder meeting

Ströer SE & Co. KGaA's shareholder meeting was held at the Koelnmesse Congress Center on 30 May 2018 and was attended by approximately 160 shareholders, guests and representatives of the press. Overall, 47 million shares of no par value were represented. All resolutions put forward by the supervisory board and board of management were approved. This also included the distribution of a dividend of EUR 1.30 per qualifying share.

Stock exchange listing, market capitalization and trading volume

Ströer SE & Co. KGaA stock is listed in the Prime Standard of the Frankfurt Stock Exchange and has been listed in the SDAX since 24 September 2018. Based on the closing share price on 28 December 2018, market capitalization came to around EUR 2.37b. The average daily volume of Ströer stock traded on Xetra was a good 91,000 shares in 2018.

Analysts' coverage

The performance of Ströer SE & Co. KGaA is analyzed by 16 national and international banks. Based on the assessments at the end of the 12-month reporting period, twelve of the analysts are giving a "buy" recommendation and four say "hold."

The latest broker assessments are available at www.stroeer.com/investor-relations and are presented in the following table:

Investment Bank	Recommendation*
Bankhaus Lampe	Buy
Barclays	Buy
Citi	Buy
Commerzbank	Hold
Deutsche Bank	Buy
Goldman Sachs	Buy
Hauck & Aufhäuser	Buy
HSBC	Buy
J.P. Morgan	Buy
KeplerCheuvreux	Hold
LBBW	Buy
Liberum	Buy
MainFirst	Buy
Morgan Stanley	Hold
Oddo BHF	Hold
Warburg Research	Buy

*As of 9 January 2019

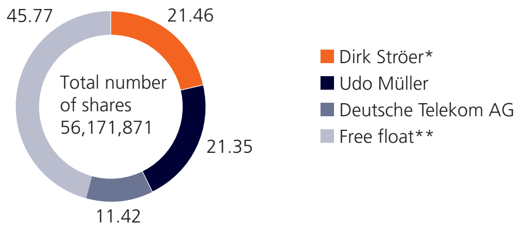
← For further information, see our website www.stroeer.com/investor-relations

Shareholder structure

Founder and Co-CEO Udo Müller holds 21.35%, supervisory board member Dirk Ströer holds 21.46% and Christian Schmalzl (Co-CEO) holds around 0.05% of Ströer SE & Co. KGaA shares. The free float comes to around 46%. According to the notifications made to the Company as of 31 December 2018, the following parties reported to us that they hold more than 3% of the voting rights in Ströer SE & Co. KGaA: Deutsche Telekom AG (11.42%), Allianz Global Investors Europe (6.05%), Credit Suisse (3.47%).

Shareholder structure of Ströer SE & Co. KGaA

As of 31 Dec 2018, in %



* Includes shares attributable to Dirk Ströer in accordance with WpHG.

** Free float, thereof:

Allianz Global Investors Europe[1]	6.05%
Credit Suisse,[2] Switzerland	3.47%
Christian Schmalzl	0.05%

[1] According to voting right notifications in accordance with Sec. 41 (4f) WpHG
[2] According to voting right notifications in accordance with Sec. 25 (1) WpHG

Dividend policy

In the reporting year, Ströer SE & Co. KGaA paid a dividend of EUR 1.30 per qualifying share. Ströer SE & Co. KGaA intends to continue to allow shareholders to participate in any successful profit development.

Key data of Ströer SE & Co. KGaA stock

Capital stock	EUR 56,171,871
Number of shares	56,171,871
Class	Bearer shares of no par value (share in capital stock of EUR 1.00 per share)
First listing	15 July 2010
ISIN	DE0007493991
SIN	749399
Stock ticker	SAX
Reuters	SAXG.DE
Bloomberg	SAX/DE
Market segment	Prime Standard
Index	SDAX
Designated sponsor	Otto Seydler Bank AG
Opening price 2018 *	EUR 61.25
Closing price 2018 *	EUR 42.18
Highest price 2018 *	EUR 66.40
Lowest price 2018 *	EUR 41.60

*Price in XETRA in EUR

EMPLOYEES

Digital disruption in the media industry has placed high demands on the creativity and innovative ability of our employees. Our ambition is to lead these changes proactively and forge ahead as pioneers. We target employees who enjoy exciting and diverse tasks and who see them as a means to nurture personal growth. In 2018, we set up a digital employee referral program, because our employees know best who is a good match for us.

By encouraging new ways of working and open communication, we foster an environment in which novel ideas can be expressed and realized. We have lifted internal advancement to a new level with the launch of the digital blended learning platform "Jump 'n train." This allows us to provide further training opportunities for all of our employees at any time, systematically, by topic or by interest.

Ströer wants to be an attractive employer with whom employees can identify and for whom they enjoy working. We therefore underscore our attractiveness as an employer by pursuing a sustainable HR policy and offering flexible working time models, for example, as well as by offering additional benefits such as our company kindergarten and the company canteen at Ströer's headquarters.

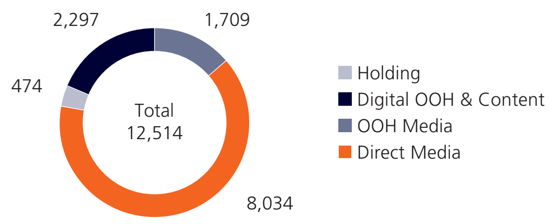
Employment situation

Headcount

As of year-end, the Ströer Group had 12,514 (prior year: 7,536) full and part-time employees. The increase of 4,978 employees is spread across almost all segments, but relates in particular to the Direct Media segment. The strong gain in headcount is a result of the acquisition of D+S 360 and the DV-COM group in 2018, both of which belong to the Direct Media segment. Our headcount has also grown in the out-of-home business due to the further expansion of our regional sales structure.

Employees by segment

As of 31 Dec 2018



Length of service

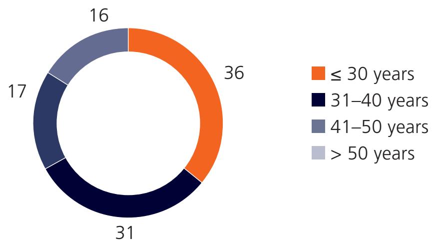
As of the reporting date, employees had been working for an average of 4.1 years (prior year: 3.6 years) for the Ströer Group. The increase is due to the rise in headcount in the Direct Media segment which almost entirely comprises companies that have been active on the market for a long time.

Age structure

We have a balanced age structure. We aim to retain young employees through targeted training programs and to sustain their enthusiasm for our Company in the long term. Colleagues with extensive professional experience support them in their careers. At times this also enables us to connect generations.

Age structure in the Group

2018 in %



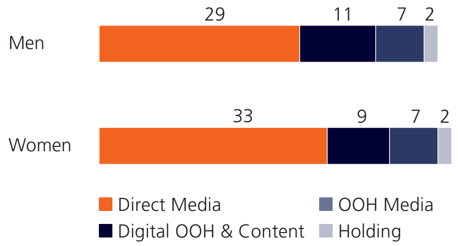
Gender structure

→ For further information on the gender quota and on targets for the board of management and the top two levels of management, see the corporate governance declaration at www.stroeer.com/investor-relations

← The gender ratio at our Company was already very balanced. The proportion of female employees rose marginally during the course of the year. As of year-end, 49% of the Ströer Group's employees were male and 51% were female (prior year: 52% male and 48% female). The gender balance is due not least to our attractive working time models that help our staff reconcile work and family life, for example, and which make us a modern company.

Gender structure by segment

2018 in %



Training and development

Vocational training and education

Ströer provided a total of 186 young talents throughout Germany with vocational training, thereby again raising this number considerably in 2018. In addition to traditional vocational training, Ströer expanded the scope of its cooperative study program; along with BA degrees, we began offering MA degrees in cooperation with Steinbeiss University in 2018.

Ströer naturally offers successful BA students and trainees the opportunity of being kept on and we again hired many young talents in a wide range of business areas in the past year.

Further development and qualification

Ströer offers its employees the prospect of being able to achieve their professional goals within the Ströer Group. Over the past few years, we have expanded our trainee programs so as to offer career starters diversified training and orientation opportunities. Entry as a trainee is now possible in four areas: General management, HR, finance and also sales.

Our talent program has paid off. In 2018, we launched the second phase of our internal development program "Jump 'n Grow" to promote the advancement of selected employees. It includes workshops, training, involvement in joint projects and support by mentors from top-level management.

REMUNERATION REPORT

The remuneration report explains the structure and amount of remuneration of the members of the board of management of the general partner of Ströer SE & Co. KGaA (Ströer Management SE) and the supervisory board of Ströer SE & Co. KGaA (the Company). With the exception of the deviations explained in the declaration of compliance with the German Corporate Governance Code in accordance with Sec. 161 AktG ["Aktiengesetz": German Stock Corporation Act] on 13 December 2018, the report takes statutory regulations into account along with the recommendations of the German Corporate Governance Code and is a component of the consolidated financial statements.

Remuneration of the board of management

The remuneration of the members of the board of management is determined by the Company in consultation with the supervisory board of Ströer Management SE and reviewed on a regular basis. In accordance with the provisions of the VorstAG ["Gesetz zur Angemessenheit der Vorstandsvergütung": German Act on the Adequacy of Management Board Remuneration], the supervisory board of the general partner deliberated on the decisions to be made regarding the board of management's remuneration and made appropriate resolutions.

As in prior years, the board of management's remuneration again comprised two key components in fiscal year 2018, namely a fixed component and a variable component, broken down into (i) an annual short-term incentive (STI) and (ii) a long-term incentive (LTI).

The basic salary is a fixed monetary component and is paid out in equal monthly installments. In addition, the Company grants fringe benefits (remuneration in kind) for which members of the board of management are liable for tax, as well as compensation of incurred costs. If the Company's situation should deteriorate to such an extent that continuing to grant remuneration to the board of management would be unfair, the Company is authorized to reduce the remuneration to an appropriate amount.

The variable component for the remuneration of the board of management (STI and LTI) is linked to the performance of the board of management, the Company's performance and its increase in value. Variable compensation is linked to the achievement of key performance indicators or business targets.

The variable remuneration for fiscal year 2018 is based on the following key performance indicators and business targets: (i) Short-term incentives (STI): cash flows from operating activities and (ii) Long-term incentives (LTI): return on capital employed, organic revenue growth and share price. The long-term incentives span a period of three to four years and carry a greater weighting than the short-term incentives.

ROCE on the basis of adjusted EBIT/capital employed

This remuneration depends on the return on capital over a period of three years. The benchmark for this is the achievement of a return equivalent to the Company's cost of capital. The agreed amount upon reaching the target in full is EUR 343k. The remuneration is limited to a maximum of two or three times this amount, which would require a return that is considerably above the cost of capital during the three-year period. Conversely, if the benchmark is not met, the remuneration is adjusted by the percentage shortfall but cannot decrease below EUR 0.00.

Organic revenue growth

The Company's average organic revenue growth over a three-year period is compared with the average growth of the advertising market as a whole, measured by the development of gross domestic product in the markets served by the Company. The agreed amount upon reaching the target in full is EUR 384k. If the Company's average revenue growth in the three-year period exceeds this comparative value, the remuneration can increase to a maximum of two or three times the amount. Conversely, if the benchmark is not met, the remuneration is adjusted by the percentage shortfall but cannot decrease below EUR 0.00.

Share price

This LTI component is linked to the development of the Company's share price over a four-year period against the reference price set at the beginning of this period. The agreed amount for fiscal year 2018 upon reaching the target in full is EUR 283k, which as of the reporting date corresponds to 4,588 phantom stock options each with a fair value of EUR 40.32. If the share price rises during the four-year period, the remuneration component increases by the same percentage as the share price, but is limited to a maximum of two or three times the amount. Conversely, if the reference price is not met, the remuneration is adjusted by the percentage shortfall but cannot decrease below EUR 0.00. The members of the board of management can also decide to have the remuneration paid out in shares in the Company.

Share-based payment

The Company's supervisory board granted the members of the board of management stock options under stock option plans in fiscal years 2013, 2014, 2015, 2017 and 2018. The stock options constitute additional long-term remuneration components and are intended to create performance incentives that promote the sustainable and long-term success of the Company. Option rights can be exercised at the earliest after the expiry of the four-year vesting period beginning on the grant date of the subscription right. The options have a contractual term of seven years. Instead of issuing new shares, the Company may choose to grant a cash payment in order to service the stock options.

The right to exercise the stock options is dependent on the fulfillment of a certain length of service (vesting period), the value of the Company's share price and the Group's operational EBITDA. The gain that can be achieved by option holders from exercising their stock options may not be more than three times the corresponding exercise price.

Total remuneration for fiscal year 2018 (2017) is presented in the table below:

Benefits granted for 2018 (2017)

In EUR	2018				2017
	Total	Udo Müller	Christian Schmalzl	Dr. Bernd Metzner	Total
Fixed remuneration	2,520,000	1,300,000	700,000	520,000	2,520,000
Fringe benefits	376,000	346,000	18,000	12,000	369,000
Total	**2,896,000**	**1,646,000**	**718,000**	**532,000**	**2,889,000**
Severance payments	0	0	0	0	0
One-year variable compensation (target reached in full)	**790,000**	**490,000**	**300,000**	**0**	**833,960**
Multi-year variable compensation (amount based on a probability scenario)					
LTI "ROCE" (3 years)	860,200	520,200	340,000	0	775,908
LTI "revenue growth" (3 years)	961,400	581,400	380,000	0	867,190
LTI "share price" (4 years)	282,800	142,800	140,000	0	496,182
LTI "other"	189,000	189,000	0	0	252,000
Share-based subscription rights (5 years)					
Total	**2,293,400**	**1,433,400**	**860,000**	**0**	**2,391,280**
Benefit cost	0	0	0	0	0
Total	**5,979,400**	**3,569,400**	**1,878,000**	**532,000**	**6,114,240**

Benefits granted for 2018

In EUR	2018 Minimal achievable value				2018 Maximal achievable value			
	Total	Udo Müller	Christian Schmalzl	Dr. Bernd Metzner	Total	Udo Müller	Christian Schmalzl	Dr. Bernd Metzner
Fixed remuneration	2,520,000	1,300,000	700,000	520,000	2,520,000	1,300,000	700,000	520,000
Fringe benefits	369,000	346,000	12,000	11,000	369,000	346,000	12,000	11,000
Total	**2,889,000**	**1,646,000**	**712,000**	**531,000**	**2,889,000**	**1,646,000**	**712,000**	**531,000**
Severance payments	0	0	0	0	0	0	0	0
One-year variable compensation (target reached in full)	**0**	**0**	**0**	**0**	**950,000**	**490,000**	**300,000**	**160,000**
Multi-year variable compensation (amount based on a probability scenario)								
LTI “ROCE” (3 years)	0	0	0	0	860,200	520,200	340,000	0
LTI “revenue growth” (3 years)	0	0	0	0	961,400	581,400	380,000	0
LTI “share price” (4 years)	0	0	0	0	708,400	428,400	280,000	0
LTI “other”	0	0	0	0	189,000	189,000	0	0
Share-based subscription rights (5 years)	0	0	0	0	N/A	N/A	N/A	N/A
Total					**2,719,000**	**1,719,000**	**1,000,000**	**0**
Benefit cost	0	0	0	0	0	0	0	0
Total	**2,889,000**	**1,646,000**	**712,000**	**531,000**	**6,558,000**	**3,855,000**	**2,012,000**	**691,000**

Re LTI “other”:
The remuneration of EUR 189k (prior year: EUR 252k) is contingent on remaining with the Company for four years. The amount is fully repayable in the event of early termination.

Re “share-based subscription rights”:
2017: 239,190 options;
EUR 11.20 weighted value per option
2018: 199,460 options;
EUR 9.43 weighted value per option

Post-employment benefits for members of the board of management

Benefits granted to the board of management in the event of regular termination

There are no retirement benefit plans or other pension commitments. If the employment contracts of the members of the board of management are not extended, they are entitled to fixed remuneration pro rata temporis for a further four months as a severance payment.

Non-compete clause

Non-compete clauses have been agreed with the members of the board of management. The Company undertakes to pay compensation corresponding to half of the last contract-based remuneration for each full year of the non-compete clause.

Remuneration of the supervisory board

Pursuant to Art. 15 of the articles of incorporation, the remuneration of Ströer SE & Co. KGaA's supervisory board is approved by the shareholder meeting and the general partner. The members of the supervisory board of Ströer SE & Co. KGaA currently receive an attendance fee of EUR 200.00 per meeting plus out-of-pocket expenses.

Pursuant to Art. 14 of its articles of incorporation, the remuneration of the members of the supervisory board of the general partner, Ströer Management SE, is approved by the shareholder meeting of Ströer Management SE. The members of the supervisory board receive fixed basic remuneration, attendance fees and out-of-pocket expenses. Remuneration of the supervisory board of Ströer Management SE was charged on to Ströer SE & Co. KGaA in line with Art. 9 of the articles of incorporation of Ströer SE & Co. KGaA.

Total remuneration (excluding any VAT) of the supervisory board of Ströer SE & Co. KGaA for fiscal year 2018 including the allocations charged on to Ströer SE & Co. KGaA by Ströer Management SE is presented in the table below (in EUR):

in EUR	Fixed remuneration	Attendance fee	Total
Christoph Vilanek	74,200.00	800.00	75,000.00
Ulrich Voigt	50,000.00	800.00	50,800.00
Dirk Ströer	50,000.00	800.00	50,800.00
Martin Diederichs	32,000.00	400.00	32,400.00
Vicente Vento Bosch	31,500.00	600.00	32,100.00
Dr. Raphael Kübler	25,750.00	0.00	25,750.00
Michael Hagspihl (resigned in 2018)	7,500.00	0.00	7,500.00
Julia Flemmerer	0.00	200.00	200.00
Anette Bronder	0.00	800.00	800.00
Tobias Meuser	0.00	800.00	800.00
Dr. Thomas Müller	0.00	800.00	800.00
Christian Sardiña Gellesch	0.00	600.00	600.00
Michael Noth	0.00	400.00	400.00
Sabine Hüttinger	0.00	800.00	800.00
Rachel Marquardt	0.00	800.00	800.00
Andreas Huster	0.00	400.00	400.00
Nadine Reichel	0.00	400.00	400.00
Petra Sontheimer	0.00	400.00	400.00
Total	**270,950.00**	**9,800.00**	**280,750.00**

OPPORTUNITIES AND RISKS

Overall assessment of the opportunity and risk situation by the board of management

The Ströer Group's risk management system forms the basis for the board of management's comprehensive risk assessment. Our risk strategy is not centered on the strict avoidance of risks but on ensuring that the business decisions we make are based on careful consideration of the opportunities and risks. At the same time, we aim to identify risks that could jeopardize the Company's ability to continue as a going concern in good time to ensure that we can immediately take action to avoid or limit any such risks. We expect all employees to deal with risks in a responsible manner.

We believe that, as of the publication date of this report, the risks currently identified and described below are manageable. There are no recognizable individual risks that could jeopardize the Company's ability to continue as a going concern. We also firmly believe that Ströer is in a good strategic and financial position to be able to take advantage of opportunities that arise. Despite some uncertainties in the economic environment of our active markets, the board of management of Ströer Management SE expects market conditions to remain stable overall in the current fiscal year 2019. If a less favorable scenario were to occur, the Ströer Group would be able to react quickly, as demonstrated in the past, and implement the internal measures needed to adjust its investment and cost budgets.

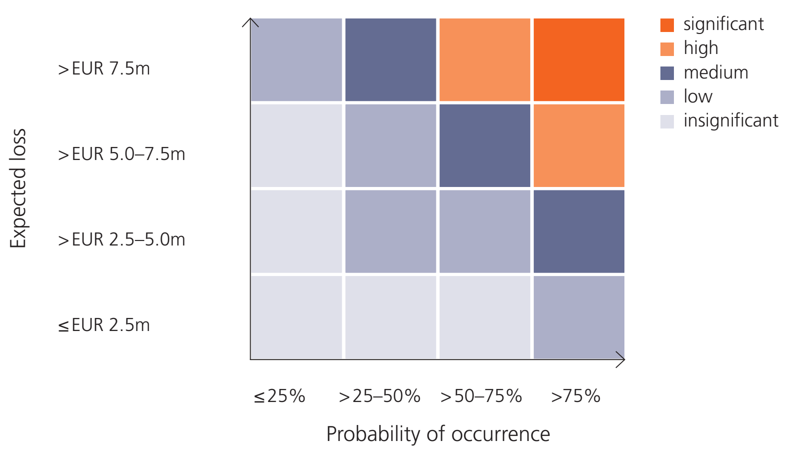
Opportunity and risk management system

Our board of management is responsible for opportunity and risk management, which is an integral part of corporate governance. Depending on the goals and strategies of the individual segments, responsibility for opportunity management lies with the segment's operational management in close collaboration with the headquarter offices and the board of management. The ongoing management of opportunities is an integral component of the planning and control process.

Ströer also has a group-wide risk management system that complies with the legal requirements under Sec. 91 (2) AktG ["Aktiengesetz": German Stock Corporation Act]. The consolidated group for risk management purposes is the group of consolidated entities.

The opportunities and risk report covers the identification, assessment, management and monitoring of core risks. These risks include all matters which pose a significant threat to our business development and have a material effect on our earnings and liquidity situation. They can be assigned to individual risk classes according to their expected loss value (significant, high, medium, low, insignificant), which in turn are linked to various requirements for risk management. The expected loss value is determined as part of a standardized group-wide control process based on the metrics "expected loss to earnings (EBITDA) and/or cash flows" and "probability of occurrence." The following figure shows the scale of both metrics (expected loss and probability of occurrence) and the related risk matrix.

Risk matrix



The risk relating to the expected loss value (ELV) is classified as significant, high, medium, low or insignificant based on the expected loss amount together with the probability of occurrence.

A risk officer is appointed for each business unit and is responsible for managing the risk situation in his/her unit (decentralized risk management) and reports to the group risk management department. Each business unit has risk owners for the different risk areas who report to the respective risk officer in their business unit.

In order to ensure close collaboration on operational and financial matters, the group risk management department is part of the controlling unit at the Company's headquarters. It has the methodological and system expertise. It ensures the functionality and efficiency of the early warning system for the detection of risk and informs the board of management of Ströer Management SE and the supervisory board of Ströer SE & Co. KGaA regularly about current risks to which the Group is exposed. The internal risk report is issued regularly and addresses the various causes of the core risks, their probability of occurrence and effects (gross and net assessment). The report also provides information on the changes in risk profiles over time. All risk officers are obligated to report ad-hoc on any unexpected risks that are identified outside the scheduled dates for the control process and exceed specific materiality thresholds.

The effectiveness of the risk management system is reviewed at regular intervals and improved when necessary. As part of the audit of the financial statements, the external auditors also regularly evaluate whether the risk management system is suitable for promptly identifying risks that could jeopardize the Company's ability to continue as a going concern. The external auditors report the results to the board of management and supervisory board.

Internal control system

The accounting-related internal control and risk management system is an important part of the Ströer Group's risk management. We understand the internal control and risk management system to be a holistic unit and refer to the definitions of the Institute of Public Auditors in Germany, Dusseldorf ["Institut der Wirtschaftsprüfer in Deutschland e.V.": IDW] with regard to the accounting-related internal control system (ICS) and the risk management system. According to the definition, an internal control system comprises the policies, procedures and measures installed by management which are aimed at implementing management's decisions in order to ensure the effectiveness and efficiency of operations, correct and reliable internal and external financial reporting, and compliance with legal provisions relevant to the Ströer Group.

Furthermore, the internal control system aims to help the reporting convey a true and fair view of the assets, liabilities, financial position and financial performance of the Ströer Group.

We have the following structures and processes in place with regard to the group financial reporting process:

- The Chief Financial Officer is responsible for the internal control and risk management system with regard to the group financial reporting process.
- All fully consolidated entities included in the consolidated financial statements are integrated in this system by way of a defined management and reporting organization
- The policies, structures and procedures and the processes of the Group's accounting-related internal control and risk management system are defined, communicated and implemented for the entire Group.

We consider those elements of the internal control and risk management system which could have a considerable impact on the Group's financial reporting process and the overall picture conveyed by the consolidated financial statements and combined management report to be significant. Those elements include:

- Identification of the significant risk fields and control areas.
- Monitoring of the financial reporting process at the level of the Group and the fully consolidated entities.
- Preventative control measures in the finance and accounting functions of the Group and the entities fully consolidated in the consolidated financial statements.
- Measures to ensure that group financial reporting issues and data are processed using appropriate IT systems.
- Defined channels for communicating changes in processes and controls promptly and in full.

In addition, we also focus on monitoring the effectiveness of the internal control system, which goes beyond the Group's financial reporting.

Internal audit system

The internal audit function is an instrument used by the board of management of Ströer Management SE and the supervisory board of Ströer SE & Co. KGaA and supports these bodies as a component of corporate governance in their management and supervisory function. In this context, the internal audit function conducts reviews of selected equity investees and corporate areas. Some areas of audit focus include:

- Audit of the financial position and assets and liabilities, the reliability of the accounting and the information derived therefrom as well as compliance with internal accounting guidelines (financial auditing).
- Audit of the quality, security, propriety, efficiency and functionality of the structures, processes and systems, including the IT systems and the internal control system (operational auditing).
- Compliance with laws, regulations, guidelines, procedures and contracts (compliance).

On the basis of a detailed risk-based audit plan, the effectiveness of the system of internal control was supported in the fiscal year by several internal audit projects. The findings of these audits were presented to the board of management of Ströer Management SE and the audit committee of the supervisory board of Ströer SE & Co. KGaA in the course the year. A comprehensive year-end report on the work of the internal audit function and the contents of the audits and their findings were presented to the supervisory board. Any improvement measures resulting from internal audits were and continue to be monitored systematically.

Risk situation

Taking all identified opportunities and risks into account, the following section describes the areas that, from today's perspective, could have a significant positive or negative effect on the assets, liabilities, financial position and financial performance in the forecast period. The following risks are classified according to their expected loss value based on the above evaluation of the expected loss value in terms of the expected EBITDA and/or cash flows and probability of occurrence (e.g., "ELV: medium").

Market risks (ELV: low)

Macroeconomic developments could prove to be worse than assumed in the forecast due to political uncertainty or renewed financial market turbulence, among other factors. As the advertising market is dependent on the economic environment, this represents a risk for all segments of the Ströer Group that, if it were to occur, could mean that the Group does not achieve its revenue and earnings targets.

In our regional core market of Germany, we anticipate a stable economic development overall, but slightly increased high-level uncertainties as a result of developments such as looming world trade conflicts, Brexit and financial crises in certain eurozone member states.

By contrast, our market risk exposure has improved due to the sale of our out-of-home advertising activities in Turkey, since we are now only exposed to a limited extent to the ongoing internal and external political uncertainties in Turkey.

In the area of procurement, significant deviations from targets could result in particular from the loss of concessions for out-of-home advertising or large publisher contracts in the digital segment. Adverse effects could also arise from delays in the approval process, an increase in the cost of obtaining the required building approval and the rejection of attractive locations by the approval authorities. In the online media segment, there is the risk that websites in our portfolio attract less user interest than expected due to rival offerings, among other things. Fewer than anticipated unique visitors, unique users or ad impressions could adversely affect revenue from reach-based advertising. We consider these risks to be perfectly normal business risks, however, which are limited thanks to our highly diverse portfolio in the Out-of-home and digital segments.

Special risks relating to procurement, particularly in out-of-home media can also arise from potential increases in the prices of primary products and energy or from price volatility. Other conceivable risks include the loss of key suppliers and problems with the quality of delivered products. To limit these risks, we use cross-product standardization of components and a multi-source procurement strategy.

With regard to commercialization, deviations from targets in the individual segments could arise through potential losses in income from orders placed by major advertisers or agencies, the loss of customers in intra and intermedia competition or reduced margins as a result of higher discounting in the media industry. In this connection, we regularly review our sales activities and take appropriate measures to counter the pressure for discounts.

In dialog marketing, revenue is chiefly generated with national key accounts. A change in the demand pattern of individual key accounts could in theory also give rise to short-term income risks.

Following the establishment (a) of content-based business models centered around Germany's online portal with the largest reach, t-online.de, (b) transactional business models and (c) the expansion of the dialog marketing business in the fiscal year, the Ströer Group has successfully diversified its revenue streams by adding other transactional and direct sales-oriented revenue to its dominant advertising revenue. This will enable the Group to mitigate general market risks in the commercialization of advertising.

The ongoing trend in user surfing behavior away from stationary computers toward mobile devices is presenting challenges in particular for online display advertising as well as for content-based revenue models. We are addressing this risk by, among other things, expanding our mobile advertising activities.

The increased use of ad blockers is also posing an ongoing risk to online advertising. We are countering the risk for our online marketing activities using various measures. On the one hand, we are investing in technology designed to circumvent these ad blockers. Secondly, our website portfolio is on average less affected by ad blocking technology due in part to the user structures. Thirdly, we are increasingly offering native ad products which are not affected by ad blockers.

Political and regulatory risks (ELV: low)
The ongoing discussion on data protection in politics and society at large presents a risk for our business activities where data processing is a key element. In this context, there is uncertainty in particular in relation to the ramifications of the EU General Data Protection Regulation (GDPR) effective May 2018 and how these legal provisions should be fleshed out in practice. The proposed ePrivacy Regulation of the EU, which like data protection addresses online marketing, also casts additional uncertainty. The specific rules on certain aspects of data protection which could be of relevance for some of our business, e.g., for the use of cookie identifiers or similar technologies, remain unclear or have not yet been conclusively defined. We do not expect this to have any effects on business in 2019. Even though such legal changes only affect individual business models in our portfolio and we mainly use large volumes of data anonymously, we are closely examining this matter on a continuous basis. Our response includes a uniform group-wide data protection policy. As new laws always require a certain amount of interpretation as to how they should be put into practice after their entry into force, we are aiming to continually enhance our data protection process to make it best practice within the industry.

In addition, there is a risk from an increase in the scope of advertising bans as has been repeatedly called for in political discussions over the past few years, particularly for tobacco advertising. We are addressing this risk with different communications measures. We do not expect such a ban to enter into force in the forecast period. By significantly reducing our dependency on individual advertising customers and industries, we have already drastically reduced the significance of this risk.

Process risks (ELV: low)
Our business processes and communication are highly dependent on information technology. IT security is therefore a critical factor and must be ensured with regard to data integrity, confidentiality of information, authenticity and availability. A disruption or failure of one or more systems could result in a loss of data and have an adverse effect on IT-based business processes. These processes are subject to ongoing improvement measures aimed at reducing these risks.

Generally, disruptions to the proper handling of quote and proposal preparation, order processing and complaints and receivables management can also not be ruled out.

In our operating process, we focus in particular on potential quality risks to ensure the high quality and best management of our out-of-home advertising media as well as interruption-free presentation of digital advertisements. A very small number of business models in the Ströer Group whose revenue streams are also impacted by internet search engines are exposed to general risks arising from changes in algorithms of search engine operators.

Employee risks (ELV: low)

A risk for Ströer is the unwanted turnover of key management personnel if they are not adequately replaced or not replaced in good time by in-house or new staff. We counter personnel risks with a number of established measures such as a performance-based remuneration system, training courses or deputization arrangements. We also strengthened our profile as an innovative and attractive media company by radically expanding our digital business models.

Ströer's exposure to employee risks increased in the reporting year due to our entry into the dialog marketing business, where employee acquisition and retention play a special role given the large workforce required in this area.

Financial risks (ELV: low)

Ströer's current debt poses a general financing risk. The significance of this risk is dependent on meeting the covenants set out in the loan agreements with the banking syndicate as well as duties to provide information and obtain authorization. However, this risk is currently very low due to the Company's very solid cash position at the end of the reporting year and a strong operating cash flow.

Ströer is also subject to currency risks, in particular a risk arising from the translation of the financial statements of foreign operations prepared in foreign currency. However, the relative significance of the financial statements prepared in foreign currency in the consolidated financial statements decreased in the reporting period. Transaction-based currency risks do not pose a significant risk to the Ströer Group.

The Ströer Group is mainly exposed to general interest rate risks in connection with non-current floating-rate financial liabilities and existing cash and cash equivalents.

If the subsidiaries and other investees generate losses, an investment risk could arise that could have a negative effect on the Ströer Group's financial performance and liquidity. Impairment of goodwill cannot be ruled out at present or in the future if the business performance of individual companies or cash-generating units (CGUs) falls short of expectations.

Due to the complexity of tax law, it is possible that the tax authorities and courts will take a different view of relevant tax issues, or that they will challenge previous procedures. We mitigate this risk by maintaining a close dialog with internal and external tax specialists.

Other risks (ELV: insignificant)

The Ströer Group is also exposed to communication risks that could ultimately lead to reputational risks. However, we have two important functions – corporate communications and investor relations – that make the relevant information available to recipients in good time and enable us to take appropriate action.

The numerous business acquisitions across all our segments over the past few years naturally entail risks stemming from, for example, customer migration, unwanted employee turnover, an increased working capital requirement or from tax and compliance issues. We mitigate such risks through appropriate analyses and control measures. The Ströer Group also has extensive experience in the integration of newly acquired companies.

Our business activities must comply with existing laws. Our legal department permanently monitors compliance with antitrust and capital market regulations, regulations on upstanding business practices and data protection rules. Furthermore, we mitigate legal risks by involving external business experts and law firms where appropriate. Ongoing and future legal disputes could result in litigation risks that could ultimately differ from the risk assessments undertaken and the associated provisions.

Opportunities

General economic opportunities arise for us if increases in the net advertising volume, particularly in our core market Germany, prove to be higher than in our baseline forecasts. This could be the case if the general economic trend is better than expected and if the shift in advertising budgets towards out-of-home and/or online advertising or to dialog marketing is more pronounced than anticipated. An improvement in the macroeconomic situation could also have a positive effect on the revenue from our transactional business activities.

The structural change in the advertising industry that is reflected in particular by changing media consumption and by the continuing digitalization of media offerings could further accelerate the migration of advertising business from print media to digital media in fiscal year 2019. In this context, demand for multi-screen solutions (public video, road side screens, desktop, tablets, mobile) only offered in this combination by the Ströer Group could exceed forecasts. Opportunities also arise from the programmatic linking of our digital out-of-home media, that is, through the fully automated real-time purchase and sale of advertising space in the public video segment which was successfully implemented in the reporting year. Given the continuing megatrends of digitalization, urbanization and the increasing mobility of the population and against the background of changing consumer behavior, our range of out-of-home, online media products and dialog marketing puts us in a very good position to offer optimal solutions to our customers. This will give rise to opportunities to gain more market share in intermedia competition than previously forecast. Ongoing digitalization of our out-of-home media will also support these opportunities.

The quality of the analog and digital advertising media portfolio is key to the success in capitalizing on opportunities arising in the commercialization of advertising. Our close partnership with cities and train station operators in the area of out-of-home advertising and with publishers in the online segment could enable us to leverage additional potential at both national and international level.

Strategic opportunities also arise from further acquisitions which we use to strategically expand our position in our core markets and core business areas and use to effectively align our product offering to the needs of our customers.

The continuing optimization of the Group's online inventory and the further improvement of its technology position could result in positive economies of scale and synergy effects that are not included in baseline forecasts. With our fully integrated business model, we are confident that we can position ourselves even better in competition with the large publisher-based marketers and TV offerings and that we can gain market share. An improved positioning and reach in the media market also enables us to better market our transactional business models more reliably than previously forecast.

The unwavering high level of integration efforts currently being implemented at the numerous companies acquired over the past few years may lead to unexpected synergies at the revenue/cost level. The increased exchange of technological and sales know-how between the newly acquired operations and between the newly added units and the backbone business provides us with additional opportunities to further improve our position.

We expect to see good growth opportunities from the further increase in our regional sales presence in the reporting period. Synergies between digital and analog products may be greater than originally expected.

The recently acquired operations will also open up opportunities for sales and marketing synergies in the area of dialog marketing. In a very short space of time, Ströer has become one of the leading German providers in this area. Sales staff can also be specifically tasked in this area in the future with placing our media products and transactional business with our customer groups.

FORECAST[1]

Overall assessment by the board of management of the Group's expected performance in 2019

Structural changes will continue to shape the media market in 2019. The increased use and personalization of mobile devices along with the expansion of the networks are the key factors influencing people's media consumption pattern. Media content is available everywhere, at all times and on all devices, with the use of linear media becoming increasingly less relevant. By contrast, out-of-home media is omnipresent, it cannot be clicked away and does not contain any fake news or bad content. The websites commercialized by Ströer are generally based on editorial content and geared toward the needs of their target groups and are thus relevant. The Ströer Group's dialog media products directly address audiences. As such, the Ströer Group's solutions are well positioned for the growing changes in media consumption.

Ströer is able to use its own ad servers to centrally manage moving-picture content on online desktops, mobile and public video screens and our solutions are available on all standard demand-side platforms (DSP). As the largest non-TV marketer, Ströer thus has a very strong positioning with its advertising customers. In addition to stepping up the regional marketing of our out-of-home and digital inventory, we continue to see great opportunities for growth in particular in the integration and targeted expansion of our dialog marketing activities.

We will further expand the local and regional sales organization again in Germany in 2019 and remain committed to safeguarding and selectively expanding our marketable inventory in all areas of growth. Furthermore, we will drive forward the integration of the dialog group acquired in the last two years.

The key performance indicators for the management of the Group are organic revenue growth and operational EBITDA. For fiscal year 2019, the board of management expects organic revenue growth in the mid-single digit percentage range for the entire Ströer Group. Operational EBITDA is also expected to increase by a mid-single digit percentage figure.

In addition, the board of management expects the adjusted consolidated result to grow at a comparable pace to operational EBITDA. Excluding M&A transactions, the leverage ratio (net debt to operational EBITDA) should remain on a par with the prior-year level. Taking IFRS 16 into account, the board of management expects the free cash flow to develop in line with operational EBITDA. ROCE is expected to remain on the level (before application of IFRS 16) of the prior year (fiscal year 2018: 19%).

Forward-looking statements

Our forward-looking statements for future business development reflect only the significant factors that were known at the time the financial statements were prepared and that could influence our activities in 2019. The Ströer Group's revenue and earnings development can be influenced in particular by the economic developments in our markets and developments in the relevant advertising markets. Revenue development is also influenced by the market share of digital and out-of-home media as a percentage of the overall advertising market. It is thus not possible to directly forecast revenue on the basis of these macroeconomic or industry-specific parameters, as the correlations between these parameters and revenue can vary considerably from year to year. In addition, conditions can change during the course of the year, which can result in significant deviations between the actual and forecast development of revenue and earnings.

The booking behavior of our advertising customers across our media portfolio has been shaped by short booking lead times for years. This is true of digital marketing in particular where campaigns can be booked at even shorter notice for technical reasons than in traditional out-of-home channels. As transactions are increasingly being processed in real time via RTB platforms, the booking lead times are shaped by higher volatility than in the past. The short booking lead times for most of our media products restrict our ability to reliably forecast revenue and thus earnings.

Fluctuations in external market parameters, such as the yield curve, make forecasting the exact consolidated result possible only to a limited extent. Uncertainties relating to these parameters can also impact non-cash items in the financial result. In this forecast, we expect the parameters in the financial result to remain largely unchanged compared with the end of the reporting period.

[1] Comparisons with the forecast values for the next year are generally based on the actual 2018 values.

Future macroeconomic conditions

The German government forecasts growth of 1.8% for 2019.[2] Estimates by the Kiel Institute for the World Economy (IfW) indicate that the boom in Germany is increasingly losing momentum.[3] The reason for this development is that companies are finding it increasingly difficult to increase the high pace of production due to already high capacity utilization. The noticeable bottlenecks on the labor market are also likely to persist. Like the federal government, the IfW is also forecasting a growth rate of 1.8%. Economic experts are expecting the economic impetus to weaken noticeably in 2020.[4]

Future industry performance

Development of the German advertising market

Based on preliminary figures taken from Nielsen's advertising statistics, the German gross advertising market stagnated at the level of the prior year in 2018.[5] The agency Zenith is forecasting growth of around 1.7% for 2019.[6] Based on the results of a survey conducted by the German Advertisers Association ["Organisation Werbungtreibende im Markenverband": OWM], the expectations of advertisers for the coming year remain optimistic. More than half of those surveyed (56%) expect revenue to increase, 38% expect revenue to remain unchanged and only 6% anticipate declining revenue.[7]

Established studies forecast stronger growth in advertising revenue for the out-of-home segment compared with the advertising market as a whole. According to estimates by PricewaterhouseCoopers GmbH (PwC), advertising revenue in the OOH industry, including digital out-of-home advertising, is set to grow again at a rate of 5.2% in 2019.[8] Zenith forecasts growth of 2.6%.[9] Estimates by PwC indicate that ongoing economic growth, increasing digitalization, urbanization and higher mobility will have a positive impact on performance in the area of out-of-home advertising. PwC sees OOH on a clear growth course for the forecast period 2018 to 2022. Experts forecast average annual revenue growth of 4.6%, with the out-of-home advertising market in Germany reaching a total volume of EUR 1.4b by 2022.[10] New technological solutions that allow for more effective management and invoicing of advertising campaigns are, for example, making in particular digital out-of-home advertising more attractive.

The overall positive development in the online advertising market in 2018 is also expected to continue in 2019. Higher advertising efficiency through precise targeting and performance-based solutions continues to provide long-term opportunities for growth. Zenith and PwC predict growth in online advertising revenue of 7.0%[11] and 6.5%,[12] respectively, for 2019. PwC expects annual growth in the stationary online advertising market to gradually slow in light of the growing maturity of the market. Average growth of 3.5% is expected until 2022.[13]

Mobile online advertising offers greater growth potential. PwC expects this area to grow by an average of 18.5% per year until 2022.[14] This growth will continue to be driven by the increasing penetration of internet-enabled mobile devices (smart phones and tablets) and the associated shift in media usage. We agree with these market assessments.

Estimates by PwC indicate that the German contact center and CRM services market will continue to develop positively. Experts expect average growth (compound annual growth rate (CAGR)) of 8.5% per year,[15] primarily driven by strong growth in service-oriented business models, such as e-commerce and digitalization of public administration functions, along with increased outsourcing due to growing profitability pressure on traditional service providers.

[2] Source: Autumn projection of the German Federal Government, October 2018
[3] Source: IfW, Kieler Konjunkturberichte Deutschland, no. 50 (2018/Q4)
[4] Source: IfW, Kieler Konjunkturberichte Deutschland, no. 50 (2018/Q4)
[5] Source: Nielsen Media Research, revised Media trend, 12/2018
[6] Source: Zenith, Advertising Expenditure Forecast, December 2018
[7] Source: German Advertisers Association ["Organisation Werbungtreibende im Markenverband": OWM], November 2018
[8] Source: PricewaterhouseCoopers, German Entertainment and Media Outlook, Out-of-Home Advertising, 2018-2022
[9] Source: Zenith, Advertising Expenditure Forecast, December 2018
[10] Source: PricewaterhouseCoopers, German Entertainment and Media Outlook, Out-of-Home Advertising, 2017-2021
[11] Source: Zenith, Advertising Expenditure Forecast, December 2018
[12] Source: PricewaterhouseCoopers, German Entertainment and Media Outlook, Out-of-Home Advertising, 2018-2022
[13] Source: PricewaterhouseCoopers, German Entertainment and Media Outlook, Online Advertising, 2018-2022
[14] Source: PricewaterhouseCoopers, German Entertainment and Media Outlook, Online Advertising, 2018-2022
[15] Source: PricewaterhouseCoopers, Der deutsche Contact-Center- und CRM-Service-Markt (The German contact center and CRM services market), June 2018

Anticipated revenue and earnings development

Ströer Group

As outlined above, the Ströer Group's board of management expects organic revenue growth in the mid-single digit percentage range in 2019. Operational EBITDA is also expected to increase by a mid-single digit percentage figure. All three segments out-of-home media, digital OOH & content and direct media will contribute to this development.

In the reporting year, Ströer enhanced its portfolio through further acquisitions. Acquiring DV-COM and D+S 360 allowed it to further expand and strengthen its dialog marketing business. Through the acquisition of optimise-it, a leading provider of live-chat and messaging services in Europe in July 2018, Ströer can also offer its customers technologically flexible chat solutions. With the successful sale of the Turkey business, the media company will focus more intensively on the German domestic market in order to more effectively harness potential.

Following the sale of the Turkey business, revenue from foreign transactions in foreign currency is no longer of any material significance. Where considered in planning processes, Ströer assumes virtually unchanged parameters.

We expect a single-digit percentage volume-related increase in direct costs in 2019. We anticipate a slight increase in overheads, such as IT costs, for the Group as a whole, which is expected to be lower than the increase in organic revenue. In this regard, inflation-related salary and other cost adjustments, the strengthening of regional sales and dialog marketing structures in Germany and the significant increase in business volume in the Group will result in higher selling and administrative expenses overall.

As regards economic development in Germany and the rest of the world, despite some potentially dampening effects such as the impending Brexit and a broadening of the trade dispute between the US and the People's Republic of China, the board of management does not see any signs of a material impact on our business development. However, there is no way to reliably predict the availability and distribution of actual advertising budgets or the development of discounts as of the date of publication. Among other things, this is largely because of radical changes in the media landscape and the increasing diversity of advertising offerings, especially in digital media channels. The growing importance of social networks for the advertising industry is also responsible for changes in the allocation of advertising budgets. In this market environment, Ströer expects its portfolio of attractive out-of-home and digital media that is unrivaled in Germany to enable it to continue to successfully and sustainably maintain its market position.

Planned investments

The investments in the forecast period will focus mainly on the further digitalization of the out-of-home segment and the installation and replacement of out-of-home advertising media, due mainly to the extension or acquisition of public advertising concessions. In the Digital OOH & Content segment, investments will be channeled into upgrading and expanding public video inventory and the IT infrastructure as well as creating internally developed intangible assets such as, in particular, software and data management platforms. In the Direct Media segment, investments are centering on integrating and optimizing the newly acquired operations.

For the Ströer Group, the board of management anticipates the volume of total investments – excluding M&A activities – to again amount to around EUR 115m in fiscal year 2019. As a considerable proportion of these investments are not backed by binding investment commitments, the investments can be scaled back if so required by market developments or the Company's situation.

The process involved in M&A transactions makes it impossible to make any forecasts for investments in business acquisitions. The Company continually assesses suitable acquisition opportunities with a view to sustainably increasing its business value.

Expected financial position

As the Ströer Group's financial performance is again stronger year on year, we also anticipate a further improvement in the financial position.

The return on capital employed (ROCE) is expected to remain at the prior-year level in fiscal year 2019 (19%).

The Ströer Group's current credit financing is secured until the end of 2023. Our borrowing terms and conditions were further improved during the last refinancing rounds. The covenants are designed to provide sufficient headroom, even during economic and seasonal fluctuations, and also in particular in consideration of our note loan of EUR 350m which was successfully placed in fiscal year 2017. The leverage ratio of 1.4 at the end of the reporting period means that the Group is in a very comfortable zone. We are expecting – excluding further acquisitions – the leverage ratio to remain at the low level of the prior year in 2019.

The board of management maintains its view that the current financing provides sufficient leeway to carry out planned investments and also capitalize on any business opportunities that may arise during the forecast period. The terms of our financing arrangements are continually assessed with a view to current developments on the debt capital markets and economically favorable opportunities to adjust those terms are pursued, as appropriate.

SUBSEQUENT EVENTS

See the disclosures made in the notes to the consolidated financial statement for information on subsequent events.

INFORMATION IN ACCORDANCE WITH SEC. 315 HGB INCLUDING THE REPORT BY THE GENERAL PARTNER OF STRÖER SE & CO. KGAA

The following information required under takeover law is presented in accordance with Sec. 315a (1) HGB ["Handelsgesetzbuch": German Commercial Code].

Composition of subscribed capital

Subscribed capital of EUR 55,282,499 existing at the time of the Company's conversion into a German partnership limited by shares (KGaA) as of 1 March 2016 was contributed by way of a change in legal form of the legal entity, formerly Ströer SE with its registered office in Cologne (HRB no. 82548).

In fiscal years 2017 and 2018, the Company's subscribed capital increased by 275,486 and by 613,886 to a total of 56,171,871 shares as a result of stock options being exercised. As of 31 December 2018 therefore, subscribed capital is split into 56,171,871 bearer shares of no par value. They have a nominal value of EUR 1 each and are fully paid in.

Restrictions concerning voting rights or the transfer of shares

The board of management is not aware of any restrictions between shareholders concerning voting rights or the transfer of shares.

Investments in capital exceeding 10% of voting rights

Ströer Management SE, Cologne, is the general partner of Ströer SE & Co. KGaA. It has not made a special contribution and does not participate in profit or loss or the assets of the Company.

Udo Müller holds 21.35% and Dirk Ströer 21.46% of total stock. Both shareholders are resident in Germany. Furthermore, Deutsche Telekom AG, Bonn, also holds a total of 11.42% of the shares in Ströer SE & Co. KGaA. The board of management has not received any notification as required by the WpHG ["Wertpapierhandelsgesetz": German Securities Trading Act] of other investments which exceed 10% of the voting rights.

Special rights granting control authority

There are no shares with special rights granting control authority.

Legal provisions and other provisions in the articles of incorporation and bylaws concerning the beginning and end of the authorization of the general partner to manage and represent the Company as well as changes in the articles of incorporation and bylaws

Art. 8 of the articles of incorporation of Ströer SE & Co. KGaA sets forth details concerning a potential exit by the general partner and the continuation of Ströer SE & Co. KGaA. In accordance with Sec. 119 (1) No. 5 AktG ["Aktiengesetz": German Stock Corporation Act], the shareholder meeting decides on amendments to the articles of incorporation and bylaws. More information on the procedure for amendments can be found in Sec. 181 AktG in conjunction with Art. 9 of the articles of incorporation of Ströer SE & Co. KGaA.

Authorization of the general partner to issue or reacquire shares

Subject to the approval of the supervisory board, the general partner is authorized to increase the Company's capital stock once or several times until 17 June 2019 by a maximum of EUR 12,525,780.00 in total (in words: twelve million five hundred and twenty-five thousand seven hundred and eighty euros) by issuing up to 12,525,780 (in words: twelve million five hundred and twenty-five thousand seven hundred and eighty) new bearer shares of no par value for contributions in cash or in kind (approved capital 2014); the increase, however, may not exceed the amount and the number of shares comprising the remaining approved capital pursuant to Art. 5 (1) of the articles of incorporation of Ströer SE on the date the change in the legal form of Ströer SE to a KGaA pursuant to the conversion resolution dated 25 September 2015 took effect.

The capital stock is subject to a conditional increase by a maximum of EUR 1,999,214.00 by issuing a maximum of 1,999,214 bearer shares of no par value (conditional capital 2013). This conditional capital increase, however, may not exceed the amount and the number of shares relating to the conditional capital increase pursuant to Art. 6A (1) of the articles of incorporation of Ströer SE which had not yet been carried out on the date the change in the legal form of Ströer SE to a KGaA pursuant to the conversion resolution dated 25 September 2015 took effect. The sole purpose of the conditional capital increase is for the board of management to grant, as authorized by resolution of the shareholder meeting dated 8 August 2013, rights to bearers of stock options under the Stock Option Plan 2013. The conditional capital increase will only be implemented to the extent that the bearers of stock options granted under the authorization of the shareholder meeting on 8 August 2013 and pursuant to the conversion resolution of the shareholder meeting on 25 September exercise these stock options and that the Company does not settle the stock options in cash.

The capital stock is subject to a conditional increase by a maximum of EUR 2,123,445.00 by issuing a maximum of 2,123,445 bearer shares of no par value (conditional capital 2015). This conditional capital increase, however, may not exceed the amount and the number of shares relating to the conditional capital increase pursuant to Art. 6B (1) of the articles of incorporation of Ströer SE which had not yet been carried out on the date the change in the legal form of Ströer SE to a KGaA pursuant to the conversion resolution dated 25 September 2015 took effect. The sole purpose of the conditional capital increase is for the board of management to grant, as authorized by resolution of the shareholder meeting dated 25 September 2015, rights to bearers of stock options under the Stock Option Plan 2015. The conditional capital increase will only be implemented to the extent that the bearers of stock options granted under the authorization of the shareholder meeting on 25 September 2015 exercise these stock options and that the Company does not settle the stock options in cash.

The Company's capital stock will be subject to a conditional increase by a maximum of EUR 11,056,400.00 by issuing a maximum of 11,056,400 new bearer shares of no par value (conditional capital 2017). The purpose of the conditional capital increase is to grant bearer shares of no par value to owners/creditors of convertible bonds and/or bonds with warrants which are being issued by the Company or an investee as a result of the authorization granted by the shareholder meeting of 14 June 2017 based on item 9 of the agenda. New bearer shares of no par value are issued at a particular conversion or option price determined by the abovementioned authorization resolution. Conditional capital is only to be increased to the extent that conversion or option rights are exercised or owners/creditors who are obliged to do so fulfill their obligation to exercise their conversion rights and provided that a cash settlement is not granted or use is not made of own equity instruments or of new shares issued from approved capital.

Significant agreements entered into by the Company in the event of a change in control as a result of a takeover bid and the ensuing effects

Facility agreement/note loans

A facility agreement is in place between Ströer SE & Co. KGaA and a syndicate of various banks and credit institutions. The syndicate granted the Company a credit line of EUR 600m. This facility agreement concluded in fiscal year 2016 replaced the previous agreement dating from 2014. Furthermore, Ströer SE & Co. KGaA placed note loans on the capital market with a volume of EUR 145m in 2016 and a volume of EUR 350m in 2017.

The provisions in both the facility agreement and the note loans relating to a change in control reflect normal market arrangements. They do not result in automatic termination but grant the contracting partners the option to terminate in the event of a change in control.

Put option

In 2010, a non-controlling shareholder of the Turkish company Ströer Kentvizyon Reklam Pazarlama A.S. was granted the right to offer Ströer SE & Co. KGaA his interest in the company for sale under a put option in the event of a change in control. Ströer SE & Co. KGaA sold all of its shares in the Turkish subsidiary on 4 October 2018. The put option also expired with the sale of these shares.

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Financial Statements

CONSOLIDATED INCOME STATEMENT

In EUR k	Note	2018	2017[1, 2]
Revenue	(9)	1,582,459	1,283,047
Cost of sales	(10)	–1,032,939	–845,612
Gross profit		**549,520**	**437,435**
Selling expenses	(11)	–224,675	–185,607
Administrative expenses	(12)	–185,994	–143,684
Other operating income	(13)	43,269	47,483
Other operating expenses	(14)	–16,938	–17,749
Share in profit or loss of equity method investees	(5)	5,113	5,856
Finance income	(15)	2,059	3,365
Finance cost	(15)	–36,185	–11,262
Profit or loss before taxes		**136,170**	**135,837**
Income taxes	(16)	–21,954	–19,821
Post-tax profit or loss from continuing operations		**114,216**	**116,017**
Discontinued operations			
Post-tax profit or loss from discontinued operations		–120,039	–17,551
Consolidated profit or loss for the period		**–5,823**	**98,465**
Thereof attributable to:			
Owners of the parent		–14,230	95,289
Non-controlling interests		8,406	3,177
		–5,823	**98,465**
Earnings per share			
Basic earnings per share (EUR)		–0.25	1.72
Diluted earnings per share (EUR)		–0.25	1.68
Earnings per share – continuing operations			
Basic earnings per share (EUR)		1.89	2.04
Diluted earnings per share (EUR)		1.88	1.99

[1] Restated retrospectively due to the purchase price allocations that were finalized after 31 December 2017. See our disclosures on the retrospective restatement of purchase price allocations in note 6 of the notes to the consolidated financial statements.

[2] Restated retrospectively due to the sale of the Turkish OOH business, which is a discontinued operation within the meaning of IFRS 5.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

In EUR k	Note	2018	2017[1]
Consolidated profit or loss for the period		**–5,823**	**98,465**
Other comprehensive income			
Amounts that will not be reclassified to profit or loss in future periods			
Actuarial gains and losses	(27, 28)	–597	385
Changes in the fair value of financial investments measured at fair value through other comprehensive income		58	0
Income taxes	(16)	280	–119
		–258	**267**
Amounts that could be reclassified to profit or loss in future periods			
Exchange differences on translating foreign operations	(8)	88,412	–14,139
Income taxes	(16)	–1,438	634
		86,974	**–13,505**
Other comprehensive income, net of income taxes		**86,716**	**–13,238**
Total comprehensive income, net of income taxes		**80,893**	**85,227**
Thereof attributable to:			
Owners of the parent		65,407	83,116
Non-controlling interests		15,486	2,111
		80,893	**85,227**

[1] Restated retrospectively due to the purchase price allocations that were finalized after 31 December 2017. See our disclosures on the retrospective restatement of purchase price allocations in note 6 of these notes to the consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Assets (in EUR k)	Note	2018	2017[1]
Non-current assets			
Intangible assets	(19)	1,259,676	1,221,783
Property, plant and equipment	(20)	1,299,214	258,934
Investment in equity method investees	(5)	24,219	24,564
Financial assets		2,822	805
Trade receivables	(21)	504	34
Other financial assets	(22)	15,023	6,647
Other non-financial assets	(22)	22,646	22,671
Deferred tax assets	(16)	16,436	14,812
Total non-current assets		**2,640,540**	**1,550,249**
Current assets			
Inventories	(23)	18,259	15,522
Trade receivables	(21)	166,863	179,166
Other financial assets	(22)	8,306	9,099
Other non-financial assets	(22)	30,218	32,129
Income tax assets		13,459	10,382
Cash	(24)	103,696	84,984
Total current assets		**340,800**	**331,281**
Available-for-sale assets	(25)	14,957	0
Total assets		**2,996,296**	**1,881,530**

[1] Restated retrospectively due to the purchase price allocations that were finalized after 31 December 2017. See our disclosures on the retrospective restatement of purchase price allocations in note 6 of these notes to the consolidated financial statements.

Equity and liabilities (in EUR k)	Note	2018	2017[1]
Equity	(26)		
Subscribed capital		56,172	55,558
Capital reserves		735,541	728,384
Retained earnings		–121,652	–42,808
Accumulated other comprehensive income		–6,997	–86,889
		663,065	**654,245**
Non-controlling interests		5,896	15,486
Total equity		**668,960**	**669,732**
Non-current liabilities			
Pension provisions and similar obligations	(27)	40,476	39,727
Other provisions	(28)	26,965	27,428
Financial liabilities	(29)	1,504,720	600,254
Trade payables	(30)	5,024	0
Deferred tax liabilities	(16)	67,895	80,428
Total non-current liabilities		**1,645,080**	**747,838**
Current liabilities			
Other provisions	(28)	50,434	54,148
Financial liabilities	(29)	247,347	44,542
Trade payables	(30)	256,762	215,185
Other liabilities	(31)	87,232	100,333
Income tax liabilities		31,147	49,754
Total current liabilities		**672,923**	**463,961**
Liabilities associated with assets held for sale	(25)	9,333	0
Total equity and liabilities		**2,996,296**	**1,881,530**

CONSOLIDATED STATEMENT OF CASH FLOWS

In EUR k	Note	2018	2017[1]
Cash flows from operating activities			
Profit for the period		114,216	116,017
Expenses (+)/income (–) from the financial and tax result		56,080	27,718
Amortization, depreciation and impairment losses (+) on non-current assets		173,244	162,768
Depreciation (+) of right-of-use assets under leases (IFRS 16)		170,903	–
Share in profit or loss of equity method investees		–5,113	–5,856
Cash received from profit distributions of equity method investees		4,756	5,958
Interest paid (–) in connection with leases (IFRS 16)		–23,353	–
Interest paid (–) in connection with other financial liabilities		–7,336	–5,362
Interest received (+)		64	38
Income taxes paid (–)/received (+)		–54,133	–22,099
Increase (+)/decrease (–) in provisions		–6,709	–8,849
Other non-cash expenses (+)/income (–)		–8,521	–18,109
Gain (–)/loss (+) on the disposal of non-current assets		105	–2,795
Increase (–)/decrease (+) in inventories, trade receivables and other assets		–14,293	–12,407
Increase (+)/decrease (–) in trade payables and other liabilities		19,065	8,529
Cash flows from operating activities (continuing operations)		**418,975**	**245,550**
Cash flows from operating activities (discontinued operations)		7,058	6,830
Cash flows from operating activities		**426,033**	**252,380**
Cash flows from investing activities			
Cash received (+) from the disposal of intangible assets and property, plant and equipment		4,743	9,101
Cash paid (–) for investments in intangible assets and property, plant and equipment		–117,352	–109,129
Cash paid (–) for investments in equity method investees		–2,297	–1,884
Cash received (+) from/paid (–) for the sale of consolidated entities[2]		–1,139	15,053
Cash received (+)/cash paid (–) for the acquisition of consolidated entities	(6)	–70,438	–145,477
Cash flows from investing activities (continuing operations)		**–186,482**	**–232,336**
Cash flows from investing activities (discontinued operations)		–4,103	–6,143
Cash flows from investing activities		**–190,584**	**–238,479**

In EUR k	Note	2018	2017[1]
Cash flows from financing activities			
Cash received (+) from equity contributions		5,488	1,865
Dividend distribution (–)		–83,760	–65,489
Cash paid (–) for the acquisition of shares not involving a change in control		–13,055	–27,889
Cash received (+) from borrowings		130,448	376,602
Cash paid (–) to obtain and modify borrowings		–	–955
Cash repayments (–) of borrowings		–90,689	–277,205
Cash repayments (–) of lease liabilities (IFRS 16)		–161,447	–
Cash flows from financing activities (continuing operations)		**–213,015**	**6,928**
Cash flows from financing activities (discontinued operations)		–3,721	0
Cash flows from financing activities		**–216,736**	**6,928**
Cash at the end of the period			
Change in cash (continuing operations)		19,478	20,142
Change in cash (discontinued operations)		–765	687
Cash at the beginning of the period		84,984	64,154
Cash at the end of the period		**103,696**	**84,984**
Composition of cash			
Cash (continuing operations)		103,696	84,196
Cash (discontinued operations)		–	787
Cash at the end of the period		**103,696**	**84,984**

[1] Restated retrospectively due to the purchase price allocations that were finalized after 31 December 2017. See our disclosures on the retrospective restatement of purchase price allocations in note 6 of these notes to the consolidated financial statements.
[2] The cash paid for the sale of entities relates to the bank balances of those entities. The purchase prices were granted as loans and therefore did not initially affect cash.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

In EUR k	Subscribed capital
1 Jan 2017	**55,282**
Consolidated profit or loss	0
Other comprehensive income	0
Total comprehensive income	0
Change in basis of consolidation	0
Share-based payments	276
Effects from changes in ownership interests in subsidiaries without loss of control	0
Obligation to purchase own equity instruments	0
Dividends	0
31 Dec 2017[1]	**55,558**
Change in financial reporting standards	0
1 Jan 2018	**55,558**
Consolidated profit or loss	0
Other comprehensive income	0
Total comprehensive income	0
Change in basis of consolidation	0
Share-based payments	614
Effects from changes in ownership interests in subsidiaries without loss of control	0
Obligation to purchase own equity instruments	0
Dividends	0
31 Dec 2018	**56,172**

[1] Restated retrospectively due to the purchase price allocations that were finalized after 31 December 2017. See our disclosures on the retrospective restatement of purchase price allocations in note 6 of these notes to the consolidated financial statements.

Capital reserves	Retained earnings	Accumulated other comprehensive income Exchange differences on translating foreign operations	Total	Non-controlling interests	Total equity
723,720	**–71,819**	**–74,494**	**632,689**	**25,212**	**657,901**
0	95,289	0	95,289	3,177	98,465
0	222	–12,394	–12,172	–1,066	–13,238
0	95,511	–12,394	83,116	2,111	85,227
0	0	0	0	85	85
4,664	0	0	4,940	0	4,940
0	–21,949	0	–21,949	–2,720	–24,669
0	16,260	0	16,260	2,546	18,806
0	–60,811	0	–60,811	–11,747	–72,558
728,384	**–42,808**	**–86,889**	**654,245**	**15,486**	**669,732**
0	1,714	0	1,714	0	1,714
728,384	**–41,094**	**–86,889**	**655,959**	**15,486**	**671,446**
0	–14,230	0	–14,230	8,406	–5,823
0	–255	79,892	79,637	7,079	86,716
0	–14,485	79,892	65,407	15,486	80,893
0	2,043	0	2,043	–11,840	–9,797
7,157	0	0	7,771	0	7,771
0	–12,455	0	–12,455	–408	–12,864
0	16,885	0	16,885	4,203	21,088
0	–72,546	0	–72,546	–17,031	–89,577
735,541	**–121,652**	**–6,997**	**663,065**	**5,896**	**668,960**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Basis of the consolidated financial statements

1 General

Ströer SE & Co. KGaA, Cologne, is a listed corporation. The Company has its registered office at Ströer Allee 1, 50999 Cologne. It is entered in the Cologne commercial register under HRB no. 86922.

The purpose of Ströer SE & Co. KGaA and the entities included in the consolidated financial statements (the Ströer Group or the Group) is the provision of services in the areas of media, advertising, commercialization and communication, in particular, but not limited to, the commercialization of out-of-home media and online advertising. The Group markets all forms of out-of-home media, from traditional large formats and transport media through to digital media.

The consolidated financial statements of Ströer SE & Co. KGaA for fiscal year 2018 have been prepared in accordance with the International Financial Reporting Standards (IFRSs) of the International Accounting Standards Board (IASB) applicable as of the reporting date as adopted by the EU as well as the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB ["Handelsgesetzbuch": German Commercial Code].

These consolidated financial statements cover the period from 1 January 2018 to 31 December 2018. The board of management of Ströer Management SE, Düsseldorf, the general partner of Ströer SE & Co. KGaA, approved the consolidated financial statements on 13 March 2019 for issue to the supervisory board of Ströer SE & Co. KGaA. The supervisory board has the task of reviewing the consolidated financial statements and declaring whether it approves them.

The income statement has been prepared in accordance with the function of expense method (also called the cost of sales method).

The consolidated financial statements are presented in euros. Unless stated otherwise, all figures are disclosed in thousands of euros (EUR k). Due to rounding differences, figures in tables may differ slightly from the actual figures.

The references made in these notes to the consolidated financial statements to page numbers refer to the numbering in the annual report.

2 Assumptions, accounting estimates and the use of judgment

Preparation of the consolidated financial statements in compliance with IFRSs requires management to make assumptions and estimates which have an impact on the figures disclosed in the consolidated financial statements and the notes thereto. The estimates are based on historical data and other information on the transactions concerned. Actual results may differ from such estimates. Assumptions based on estimates are reviewed regularly.

Assumptions, accounting estimates and the use of judgment essentially relate to the following (for more details on the carrying amounts and other explanations, see the relevant individual disclosures in these notes):

Revenue

To estimate the variable consideration in customer contracts, the Group applies the "expected value method" or the "most likely amount method." Given the fact that the customer contracts concluded have similar characteristics, the Group believes the expected value method is the appropriate method to use in estimating the variable consideration. See note 9 for further details.

Leases

In addition to determining an appropriate capitalization rate, the measurement of right-of-use assets and liabilities from leases requires assumptions to be made on additional parameters and the probability and timing of occurrence or inception. See note 35 for further details.

Impairment of goodwill

The annual impairment test for goodwill entails estimating future cash flows and selecting an appropriate capitalization rate. See note 19 for further details.

Fair value in business combinations

The fair value of assets and liabilities acquired in a business combination is measured on the basis of an estimate of future cash flows and an appropriate capitalization rate as of the acquisition-date. In addition, the fair value of previously held equity interests in business combinations achieved in stages is determined using a discounted cash flow method (DCF). See note 6 for further details.

Pension and restoration obligations
In addition to estimating an appropriate capitalization rate, accounting for pension and restoration obligations requires assumptions to be made on additional actuarial parameters and the probability and timing of utilization. See notes 27 and 28 for further details. The expected restoration costs are determined on the basis of service specifications and restoration probabilities over the estimated contractual term of the advertising concessions. The restoration probabilities vary according to the type of the underlying advertising concessions (private vs. municipal concessions). For information on the estimated contractual terms, see note 3, "Significant accounting policies." Due to the fact that provisions are calculated for a large number of different advertising concessions, it would not be meaningful to provide information on sensitivity to significant factors here.

Deferred tax assets arising from unused tax losses
The Group recognizes deferred tax assets arising from unused tax losses based on tax planning opportunities that would increase income taxes in future periods and allow for the loss carryforwards to be utilized in the next five years. See note 16 for further details.

3 Significant accounting policies

Revenue and expense recognition
Revenue is mainly generated from the commercialization of advertising faces in the large formats, street furniture and transport product groups as well as the commercialization of online advertising, subscription and e-commerce business and from dialog marketing.

Revenue is recognized when the commercialization is rendered. In relation to out-of-home media, this corresponds to the date on which the advertising is displayed. With regard to the commercialization of online advertising, revenue is recognized when the advertising reaches the advertising customer. It is disclosed net of trade discounts, including agency commissions, outdoor media specialist payments, rebates and cash discounts.

Revenue from services is recognized when the service is rendered, i.e., on the date on which control of the internally generated or purchased advertising media is transferred to the customer.

Royalties are recognized pro rata temporis on the basis of the periods agreed in the licensing agreement.

Subscription revenue is recognized pro rata temporis on the basis of the periods agreed in the subscription agreement.

Revenue from e-commerce business is recognized when control is transferred, i.e., when the goods or services are transferred to the customer.

Revenue is recognized when it is probable that the consideration will be collected. If it is not probable that the consideration will be collected, revenue is only recognized in the amount of payment received, provided the other criteria of IFRS 15 are met. In relation to the right of return in e-commerce business, the relevant revenue and cost of sales have been reduced by the anticipated returns since the introduction of IFRS 15. Revenue from dialog marketing is recognized, depending on the advertising customers' type of contract, when the contract is successfully concluded or already after contact is made with a potential customer.

In the case of revenue from multi-component transactions, the revenue attributable to the separately identifiable components is broken down to its relative fair value and recognized in accordance with the above policies.

Advertising media owned by third parties are marketed in addition to the Company's own media. Revenue from the commercialization of advertising media for non-group entities is recognized net of the revenue-based lease payments attributable to these transactions provided the Group does not bear an economic risk. Hence, only the agreed sales commissions are disclosed on a net basis under revenue (agent). In relation to digital advertising, Ströer usually bears the economic commercialization risk. As a result, such revenue is recognized without deduction of publisher fees (principal).

Revenue from barter transactions is measured at the market value of the consideration received and adjusted as appropriate by an additional cash payment. If the market value cannot be reliably measured, barter transactions are measured at the market value of the advertising service rendered and adjusted as appropriate by an additional cash payment.

Operating expenses are recognized in profit or loss when the service is used or when the costs are incurred.

Interest is recognized on an accrual basis in the financial result applying the effective interest method.

Dividends are recognized at the time when the right to receive is established.

Goodwill and other intangible assets

Pursuant to IFRS 3, goodwill is measured as the excess of the cost of the business combination over the interest in the net fair value of the acquired identifiable assets, liabilities and contingent liabilities as of the date of acquisition. Amortization is not charged.

All intangible assets acquired for a consideration, largely advertising concessions and software, have a finite useful life and are recognized at cost. The depreciable amount of intangible assets is allocated on a straight-line basis over their useful lives. Amortization in the fiscal year is allocated to cost of sales, administrative expenses and selling expenses on the basis of the function of expense method. Amortization of advertising rights is allocated to cost of sales.

Amortization (including write-downs on hidden reserves recognized within the scope of purchase price allocations (PPA)) is based on the following useful lives:

Useful life	In years
Advertising concessions awarded by municipalities	1 to 17
Other advertising concessions	1 to 30
Other intangible assets	1 to 10
Goodwill	indefinite

The appropriateness of the useful lives and of the method of amortization is reviewed annually.

The cost for the development of new or considerably improved products and processes is capitalized if the development costs can be measured reliably, the product or process is technically or economically feasible and future economic benefits are probable. In addition, the Ströer Group must intend and have adequate resources available to complete the development and to use or sell the asset.

The Group can incur development costs from the development of advertising media and software.

Capitalized costs mainly include personnel expenses and directly allocable overheads. All capitalized development costs have a finite useful life and are recognized at cost. Amortization is charged using the same useful life for comparable intangible assets acquired. Development costs which do not meet the recognition criteria for capitalization are expensed in the period in which they are incurred.

Property, plant and equipment

Property, plant and equipment are recognized at depreciated cost less any impairment losses.

Cost comprises the purchase price, acquisition-related costs and subsequent expenditure net of purchase price reductions. Since no qualifying assets have been identified within the meaning of IAS 23, cost does not include any borrowing costs.

Separately identifiable components of an item of property, plant and equipment are recognized individually and depreciated.

Depreciation is charged on a straight-line basis over the useful life. The depreciation expense is allocated on the basis of the function of expense method. If the reasons for impairment cease to apply, the impairment loss is reversed. The residual carrying amount, the assumptions on the useful life and the appropriateness of the depreciation method are reviewed annually.

Depreciation (including write-downs on hidden reserves recognized within the scope of purchase price allocations (PPA)) is based on the following useful lives:

Useful life	In years
Buildings	50
Plant and machinery	5 to 13
Advertising media	4 to 35
Other furniture and fixtures	3 to 15

The costs estimated for the probable dismantling and removal of advertising media at the end of an advertising concession contract are recognized at cost using the components approach. The amount is measured on the basis of the provision recognized for restoration obligations in accordance with IAS 37, "Provisions, Contingent Liabilities and Contingent Assets." Under IFRIC 1, changes in the provisions are added to or deducted from the cost of the asset in question in the current period.

The right-of-use assets from leases under IFRS 16 have to be recognized under property, plant and equipment. The amount to be recognized upon initial recognition is based on the present value of the minimum lease payments at that time.

If government grants are made for the purchase of property, plant and equipment in accordance with the InvZulG ["Investitionszulagengesetz": German Investment Grant Act], these grants are deducted in arriving at the carrying amount of the asset in question.

Impairment testing

The Ströer Group tests intangible assets and property, plant and equipment for impairment if there is an indication that the asset may be impaired. Goodwill is tested for impairment at least once annually or more frequently if events or changes in circumstances indicate that the asset might be impaired.

If the recoverable amount of an asset is less than the carrying amount, the asset is written down to its recoverable amount. The recoverable amount is the higher of the fair value less costs to sell and value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, the recoverable amount is determined for the cash-generating unit (CGU) to which the asset belongs.

If the reasons for impairment recognized in prior periods cease to apply, the impairment losses, with the exception of goodwill, are reversed, but by no more than the amount of amortized cost.

Leases

Since 1 January 2018 (date of first-time application of IFRS 16, Leases), all contracts in the Ströer Group that represent a lease or contain a lease-type arrangement are measured at the present value of minimum lease payments at the date of initial recognition as a financial liability. At the date of initial recognition, a corresponding right of use to the underlying asset is also recognized in the same amount under property, plant and equipment.

Besides typical rental or lease agreements relating to office buildings or company cars, leases also include the numerous advertising concessions in the Ströer Group's OOH business. They include contracts with cities and municipalities as well as with private property owners. In these contracts, Ströer has the right to install its advertising media on public and private land.

In the income statement, the lease payments are no longer recognized in full as an expense but broken down into interest expenses and a principal portion. While the interest expense is presented directly in the finance cost, the depreciation of the right-of-use asset is recognized in the income statement instead of the principal portion; the total principal repayments correspond to the total depreciation over the entire term of the individual lease agreement.

With regard to the statement of cash flows, the interest portion of the lease payments is included in cash flows from operating activities and the principal portion is included in cash flows from financing activities.

Where Ströer has an extension option it is included when determining the lease term provided it is reasonably certain that Ströer will exercise that option. Automatic lease extensions are not taken into account, by contrast, if it is uncertain whether the lessor might give proper notice to terminate the lease before the extension comes into force.

In the Ströer Group, leases were classified as either operating or finance leases within the meaning of IAS 17 **until 31 December 2017**. Contractual provisions that transfer substantially all the risks and rewards incidental to ownership to the lessee were recognized as finance leases. Where the Ströer Group was the lessor, a receivable from the finance lease was recognized at the amount equal to the net investment in the lease.

In the case of finance leases where the Ströer Group was the lessee, the leased asset was recognized and matched by a lease liability. The leased asset was recognized at the lower of the fair value at the inception of the lease or the present value of the minimum lease payments. Leased assets were depreciated on a straight-line basis over the shorter of their useful lives or the lease term if there was no reasonable certainty that the lessee will obtain ownership by the end of the lease term. The corresponding lease liabilities were recognized in the statement of financial position in accordance with their terms. The interest portion of the lease liabilities was recognized in the financial result through profit or loss over the lease term.

Lease income from operating leases was recognized in profit or loss over the lease term.

Financial assets and liabilities

Since 1 January 2018 (date of first-time application of IFRS 9, "Financial Instruments"), financial assets in the Ströer Group have been classified as "measured at amortized cost," "measured at fair value through other comprehensive income" or as a financial asset "measured at fair value through profit or loss." With the exception of derivative financial instruments, all financial liabilities are classified as "measured at amortized cost." A financial asset/financial liability is recognized when the reporting entity becomes party to the contractual provisions of the instrument (settlement date). Financial assets not at fair value through profit or loss are measured at costs on the date of acquisition including transaction costs that are directly attributable to the acquisition.

Trade receivables and the financial receivables disclosed under financial receivables and other assets are designated as "at amortized cost," and are initially measured at fair value, which represents the cost on the date of acquisition. In subsequent periods, these items are measured at amortized cost. Non-interest and low-interest-bearing non-current receivables are carried at the present value of estimated future cash flows where the effect of the time value of money is material. The effective interest method is used for the calculation. Assets are classified as non-current if they are not due to be settled within twelve months after the reporting date.

The other investments reported under financial assets are designated as "at fair value through other comprehensive income." Other investments exclusively relate to shares in German limited companies and comparable non-German legal forms. They are recognized at fair value. Any changes to the fair value upon subsequent measurement are recognized in other comprehensive income. The other investments are not reclassified to profit or loss in future periods due to the irrevocable election to recognize the asset through other comprehensive income.

Financial assets and financial liabilities designated as "at fair value through profit or loss" are derivative financial instruments that are not part of a hedging relationship. They are measured at fair value and a gain or loss arising from a change in the fair value is recognized in profit or loss. Financial liabilities and trade payables are included under financial liabilities measured "at amortized cost." They are measured at fair value upon initial recognition and at amortized cost subsequently using the effective interest method. The fair value is calculated by discounting the estimated future cash flows at current market interest rates. Current liabilities are stated at the redemption amount or settlement amount. Transaction costs are deducted from cost if they are directly attributable. Non-interest and low-interest-bearing non-current financial liabilities are carried at the present value of estimated future cash flows discounted at the market rate of interest where the effect of the time value of money is material. Liabilities are classified as non-current if they are not due to be settled within twelve months after the reporting date.

If future losses are expected for financial assets carried at cost, a write-down to the lower expected realizable value is made. When determining whether future losses are expected, information on the creditworthiness of the counterparty is analyzed. Under the expected credit loss model, both incurred losses as well as losses expected in future periods are recognized. Uncollectible receivables are written off. If the reasons for an impairment loss cease to apply, the impairment loss is reversed as appropriate.

Financial assets recognized at fair value through other comprehensive income are generally investments. They are subsequently measured outside of profit or loss. Only distributed dividends are recognized in profit or loss, unless the dividend clearly represents a recovery of part of the cost of the investment. Other income or losses in connection with the investment are recognized in other comprehensive income and never reclassified to profit or loss. Under the expected credit loss model, both incurred losses as well as losses expected in future periods are recognized.

A financial asset is derecognized when the contractual rights to receive cash flows expire, i.e., when the asset was realized or expired or when the asset is no longer controlled by the reporting entity. A financial liability is derecognized when the obligation underlying the liability is discharged, canceled or expires.

Until 31 December 2017, financial assets within the meaning of IAS 39, "Financial Instruments: Recognition and Measurement," were classified and measured as either "at fair value through profit or loss," as "Loans and receivables" or as "Available-for-sale financial assets." With the exception of derivative financial instruments, all financial liabilities were classified as "measured at amortized cost." A financial asset/financial liability was recognized when the reporting entity became party to the contractual provisions of the instrument (settlement date). Financial assets not at fair value through profit or loss were measured at the transaction costs that were incremental costs directly attributable to the acquisition.

Trade receivables and the financial receivables disclosed under financial receivables and other assets were designated as "Loans and receivables," and were initially measured at fair value, which represented the cost on the date of acquisition. In subsequent periods, these items were measured at amortized cost. Non-interest and low-interest-bearing non-current receivables were carried at the present value of estimated future cash flows where the effect of the time value of money was material. The effective interest method was used for the calculation. Assets were classified as non-current if they were not due to be settled within twelve months after the reporting date.

The other investments reported under financial assets were designated as "Available-for-sale financial assets." Other investments exclusively related to shares in German limited companies and comparable non-German legal forms. They were carried at cost.

Financial assets and financial liabilities designated as "at fair value through profit or loss" were derivative financial instruments that were not part of a hedging relationship. They were measured at fair value and a gain or loss arising from a change in the fair value was recognized in profit or loss.

Financial liabilities and trade payables were included under "Financial liabilities measured at amortized cost." They were measured at fair value upon initial recognition and at amortized cost subsequently using the effective interest method. The fair value was calculated by discounting the estimated future cash flows at current market interest rates. Current liabilities were stated at the redemption amount or settlement amount. Transaction costs were deducted from cost if they were directly attributable. Non-interest and low-interest-bearing non-current financial liabilities were carried at the present value of estimated future cash flows discounted at the market rate of interest where the effect of the time value of money was material. Liabilities were classified as non-current if they were not due to be settled within twelve months after the reporting date.

If there were indications of impairment for financial assets carried at cost, a write-down to the lower expected realizable value was made. When determining whether there were indications of impairment, information on the creditworthiness of the counterparty was analyzed. Uncollectible receivables were written off. If the reasons for an impairment loss ceased to apply, the impairment loss was reversed as appropriate.

If an available-for-sale financial asset was impaired, an amount comprising the difference between its cost (net of any principal payment and amortization) and its current fair value, less any impairment loss previously recognized in profit or loss, was transferred from equity to the income statement. Reversals of impairment losses on equity instruments classified as available for sale were not recognized in profit or loss.

A financial asset was derecognized when the contractual rights to receive cash flows expired, i.e., when the asset was realized or expired or when the asset was no longer controlled by the reporting entity. A financial liability was derecognized when the obligation underlying the liability was discharged, canceled or expired.

Inventories
Inventories are carried at acquisition cost. Cost is calculated on the basis of the weighted average method. Inventories are measured at the lower of cost or net realizable value as of the reporting date.

Deferred taxes
Deferred taxes are calculated in accordance with IAS 12, "Income Taxes." They are recognized on temporary differences between the carrying amounts of assets and liabilities in the IFRS statement of financial position and their tax base as well as on consolidation entries and on potentially realizable unused tax losses. Deferred taxes on items recognized directly in equity according to the relevant standards are also recognized directly in equity. The accumulated amounts of deferred taxes recognized directly in equity as of the reporting date are presented in the consolidated statement of comprehensive income.

Deferred tax assets are recognized on deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and unused tax losses can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available against which the deferred tax assets can be utilized. Unrecognized deferred tax assets are reviewed at each reporting date and recognized to the extent to which it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred taxes are determined on the basis of the tax rates which apply in the individual countries at the time of realization. These are based on tax rates that are in force or have been adopted as of the reporting date. Effects from tax rate changes are recognized in profit or loss, unless they relate to items recognized directly in equity. Deferred tax assets and liabilities are netted when there is a legally enforceable right to offset current tax assets against the current tax liabilities, and when the deferred taxes relate to the same tax type and tax authority.

Non-current assets and liabilities held for sale
Non-current assets (or a disposal group) are classified as held for sale and measured at the lower of their carrying amount and fair value less costs to sell if their carrying amount will be recovered through a sale transaction rather than through continuing use.

Provisions
Provisions are recognized for obligations to third parties arising from past events, the settlement of which is expected to result in an outflow of cash and whose amount can be reliably estimated.

Post-employment benefit plans are classified as either defined contribution plans or defined benefit plans, depending on the economic substance of the plan as derived from its principal terms and conditions.

Provisions for defined benefit and similar obligations are measured using an actuarial technique, the projected unit credit method. This method takes into account the pensions known and expectancies earned as of the reporting date as well as the increases in salaries and pensions expected in the future. Pension obligations are calculated on the basis of actuarial reports. All actuarial gains and losses are disclosed directly in equity.

Gains or losses on the curtailment or settlement of a defined benefit plan are recognized when the curtailment or settlement occurs. They comprise any resulting change from a curtailment or settlement in the present value of the defined benefit obligations and any related actuarial gains and losses and past service cost that had not previously been recognized.

In the case of defined contribution plans (e.g., direct insurance policies), the contributions payable are immediately expensed. Provisions for pension obligations are not recognized for defined contribution obligations as the Ströer Group does not have any other obligations in these cases apart from premium payment obligations.

Other provisions are measured on the basis of the best possible estimate of the expected net cash flows, or in the case of long-term provisions, at the present value of the expected net cash flows provided the time value of money is material.

If legal or contractual obligations provide for the removal of advertising media and the restoration of the site at the end of the advertising concession contract, a provision is recognized for this obligation if it is probable that the obligation will have to be settled. The provision is measured on the basis of the estimated future costs of restoration at the end of the term, discounted to the date the provision was initially set up on. The provision is then recognized in this amount directly in the statement of financial position and is matched by the same amount under property, plant and equipment. Changes in the value of the provisions are immediately reflected in the corresponding value under property, plant and equipment.

Provisions for onerous losses are recognized if the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

The provision for archiving costs is recognized to cover the legal obligation to retain business documents.

Other non-financial assets and liabilities
Deferrals, prepayments and non-financial assets and liabilities are recognized at amortized cost.

Contingent liabilities
Contingent liabilities are potential obligations which are based on past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events which are beyond the Ströer Group's control. Furthermore, present obligations are deemed contingent liabilities if an outflow of resources is not sufficiently probable for the recognition of a provision and/or the amount of the obligation cannot be reliably estimated. Contingent liabilities reflect the scope of liability existing as of the reporting date. They are disclosed off the face of the statement of financial position in the notes to the financial statements.

Share-based payment
Goods or services received or acquired in a share-based payment transaction are recognized when the goods are obtained or as the services are received. The expense is determined on the basis of the fair value at the time the relevant commitment is granted. A corresponding increase in equity is recognized if the goods or services were received in an equity-settled share-based payment transaction. For cash-settled share-based payment transactions, the goods or services acquired and the liability incurred are recognized at the fair value of the liability. Until the liability is settled, the fair value of the liability must be remeasured at the end of each reporting period, with changes in fair value recognized in profit or loss for the period.

For share-based payment transactions in which the terms of the arrangement provide Ströer SE & Co. KGaA with the choice of whether to settle in cash or by issuing shares (see the current stock option plan), the Company assumes that it will settle by issuing shares provided it has not specified anything else and it has not set a precedent. The fair value is therefore measured at the grant date and is allocated to profit or loss over the vesting period until the claims for share-based payment vest in full and are settled by issuing shares.

Put options
Put options written on shares held by non-controlling interests are presented as a notional acquisition on the reporting date in cases where Ströer is not the beneficial owner (present owner). The adjustment item for these interests recognized in equity is derecognized and a liability in the amount of a notional purchase price liability is recognized instead. The cumulative difference between the derecognized adjustment item and the notional purchase price liability is offset directly against retained earnings. The value of the notional purchase price liability and details on its calculation are presented in note 34.

Overview of selected measurement methods

Line item in the statement of financial position	Measurement method
Assets	
Goodwill	Lower of cost and recoverable amount
Other intangible assets	At (amortized) cost
Property, plant and equipment	At (amortized) cost
Other financial assets	At (amortized) cost
Financial assets	At fair value through other comprehensive income
Trade receivables	At (amortized) cost
Inventories	Lower of cost and net realizable value
Cash	Nominal value
Equity and liabilities	
Provisions	
Provisions for pensions and similar obligations	Projected unit credit method
Other provisions	Settlement amount
Financial liabilities	At (amortized) cost
of which liabilities from business acquisitions	Fair value
Trade payables	At (amortized) cost
Other liabilities	Settlement amount

4 Changes in accounting policies

All new and amended standards and interpretations published by the IASB and the IFRIC that are effective for fiscal years beginning on 1 January 2018 and are required to be applied in the EU were applied in preparing the consolidated financial statements.

Changes in accounting policies and accounting estimates

The Ströer Group applied the following standards adopted by the IASB and endorsed by the EU Commission for the first time on 1 January 2018; these standards have had an effect on the accounting of the Ströer Group.

- IFRS 9 – Financial Instruments
- IFRS 15 – Revenue from Contracts with Customers
- IFRS 16 – Leases

The effects of first-time application of these standards on the consolidated financial statements and, if they differ from the policies previously applied, the new accounting policies adopted are described below.

IFRS 9 – Financial Instruments

IFRS 9, "Financial Instruments," provides revised guidance on the classification and measurement of financial assets, including adjustments to provisions on impairment. The standard complements the hedge accounting rules published in 2013 and replaces IAS 39, "Financial Instruments." IFRS 9 introduces a new impairment model for financial assets measured at amortized cost. It replaces the previous model based on incurred losses with a new model based on the expected credit loss model. Losses are recognized in a timelier manner since entities report both incurred losses as well as losses expected in future periods. Since the effective date of IFRS 9, additional disclosures in the notes have also been required pursuant to IFRS 7, "Financial Instruments: Disclosures," and have been reported on in full in these consolidated financial statements.

The new provisions become effective for fiscal years beginning on or after 1 January 2018. The standard was endorsed by the EU Commission on 22 November 2016.

The table below shows the classification and measurement categories of financial assets pursuant to IAS 39 and their reconciliation to the new classification and measurement categories pursuant to IFRS 9 as of the date of first-time application. Financial assets are allocated to the measurement category "measured at fair value through other comprehensive income." First-time application of IFRS 9 did not result in any effects on the classification or measurement of financial liabilities.

The introduction of IFRS 9 did not give rise to any significant adjustments overall. The Ströer Group has applied the new standard from 1 January 2018. The comparative period was not restated; conversion effects were recognized in retained earnings as of 1 January 2018. The corresponding effects are summarized in the overview at the end of this section.

IFRS 15 – Revenue from Contracts with Customers
The IASB issued the new IFRS 15, "Revenue from Contracts with Customers" in May 2014. IFRS 15 comprehensively redefines the recognition of revenue arising from contracts with customers across different industries. In a five-step model, detailed requirements are set forth on the identification of separate performance obligations, the amount of expected consideration including variable consideration and on the allocation of the transaction price to the identified performance obligations in the contract. Furthermore, there is also a cohesive set of requirements for deciding whether a performance obligation may be satisfied at a point in time or over time. The new standard supersedes the following accounting provisions: IAS 11, IAS 18, IFRIC 13, IFRIC 15, IFRIC 18 and SIC-31.

The amendments are effective for fiscal years beginning on or after 1 January 2018. The standard was endorsed by the EU Commission on 22 September 2016.

The following revenue streams were identified in a final analysis of contracts:

- Out-of-home
- Digital: online advertising/marketing (display and mobile marketing)
- Digital: content
- Product sales
- Access rights and subscriptions

In EUR k

Financial assets	Measurement category pursuant to IAS 39	Carrying amount	Measurement category pursuant to IFRS 9	Reclassification	Adjustment	Carrying amount
Cash	Loans and receivables	84,984	At amortized cost	84,984	0	84,984
Trade receivables	Loans and receivables	179,200	At amortized cost	179,200	–619	178,581
Other non-current financial assets	Loans and receivables	6,647	At amortized cost	6,647	0	6,647
Other current financial assets	Loans and receivables	9,099	At amortized cost	9,099	0	9,099
Financial assets	Available-for-sale financial assets	805	At fair value through other comprehensive income	805	2,329	3,134
Total		**280,735**		**280,735**	**1,710**	**282,445**

The effects of IFRS 15 could result in a shift in the timing of revenue recognition. A shift in the timing of revenue recognition can arise from the identification of an additional performance obligation, a change in an estimate as to whether revenue is recognized at a point in time or over time or with regard to the timing of the transfer of control. In this context, the analysis identified product sales with the right of return as the main area of application.

Furthermore, under IFRS 15 the amount of revenue over the entire period can deviate from the amount previously recognized. This is possible in the following circumstances:

- Potential change in assessment of principal agent relationships
- Payments to customers or agencies which must under certain circumstances be recognized as a reduction in a transaction price

In addition, the following were examined in our IFRS 15 analysis:

- Under IFRS 15, incremental costs to obtain a contract must be recognized and amortized over the estimated contractual term
- IFRS 15 gives rise to changes in disclosure in the statement of financial position and to changes in items (contractual assets and liabilities)
- IFRS 15 also increases the qualitative and quantitative disclosures in the notes to the financial statements

The introduction of IFRS 15 did not give rise to any material shifts in the timing of revenue recognition overall. The Ströer Group has applied the new standard from 1 January 2018. The comparative period was not restated; conversion effects were recognized in retained earnings as of 1 January 2018. The conversion effects are summarized in the overview at the end of this section.

IFRS 16 – Leases

In January 2016, the IASB issued IFRS 16, "Leases." The new standard includes revised provisions on the definition of a lease, the scope of the standard as well as on lessor and lessee accounting and replaces the previous standard on leases (IAS 17). These amendments become effective for fiscal years beginning on or after 1 January 2019. Earlier application is permitted if IFRS 15 is also applied. They were endorsed by the EU Commission on 31 October 2017.

The Ströer Group has already applied the new leasing standard from 1 January 2018. IFRS 16 was adopted using the modified retrospective approach, i.e., the comparative period was not restated and any conversion effects were recognized as of 1 January 2018. The options afforded by IFRS 16 regarding the treatment of leasing arrangements with a term of no more than twelve months and leasing arrangements for low-value assets were not exercised.

In April 2017, Ströer initiated a group-wide project to implement the new standard. In an extensive analysis of leases, the total amount of the leases being measured pursuant to IFRS 16 was identified, grouped by types of leases and split by their term.

The following types of leases were identified:

- Rental agreements for land (municipal and private land for installing advertising media)
- Rental agreements for office and parking spaces
- Rental agreements for warehouse spaces
- Rental agreements for passenger cars
- Rental agreements for hardware and software
- Rental agreements for buildings

Taking risk aspects into account, Ströer determined in a detailed analysis of all significant leases (in particular municipal rental agreements) whether they meet the definition of a lease pursuant to IFRS 16.

Using a newly implemented software for the recognition of leases pursuant to IFRS 16, the identified leases were measured and recognized. This had the following effects on the presentation of the assets, liabilities, financial position and financial performance of the Group in fiscal year 2018:

- Due to the lease liabilities to be recognized, initial application of the standard led to an increase in financial liabilities by EUR 1,097.9m as of 1 January 2018. At the same time, property, plant and equipment also increased by EUR 1,097.9m as right-of-use assets from leases for movable assets, real estate and advertising locations had to be recognized. In particular, advertising rights contracts at advertising locations in the Ströer Group's OOH business that had not to be recognized under IAS 17 were the reason for the significant increase in total assets under the new IFRS 16. Accordingly, the Ströer Group's total assets grew by EUR 1,097.9m as of 1 January 2018.

- In the income statement for 2018, instead of the previous lease expenses, amortization, depreciation and impairment of EUR 170.9m and interest expenses of EUR 21.4m were recognized such that the Group was able to report a considerable overall improvement in its EBITDA by EUR180.8m despite an upfront effect. By contrast, the new standard had an unfavorable effect on consolidated profit for 2018 as under IFRS 16 lease expenses are split into interest expenses, which decrease over the term of the lease, and the principal portion, which increases over the term. Instead of the constant lease expenses, interest expenses which are initially relatively high and decrease over the term and (instead of the increasing principal portion) constant amortization of the relevant right of use are recognized in the income statement from 1 January 2018. The negative impact on consolidated profit came to EUR 7.8m for 2018 (upfront effect).
- In the statement of cash flows, the reduction of the lease liability is recognized in the cash flows from financing activities under IFRS 16, whereas interest payments are recorded in the cash flows from operating activities. Cash flows from operating activities improved by EUR 161.4m as a result in fiscal year 2018.
- An average of between 1.05% and 2.30% depending on the term was used as the incremental borrowing rate for discounting lease obligations as of 1 January 2018.
- The practical expedients were exercised by class of underlying asset such that a single incremental borrowing rate was used and the knowledge available as of the date of transition to IFRS 16 was taken into account in exercising options.

The table below shows the effects of first-time application of the new IFRS 9, IFRS 15 and IFRS 16 as of 1 January 2018:

In EUR k	31 Dec 2017 Before new IFRSs	IFRS 9 adjustments	IFRS 15 adjustments	IFRS 16 adjustments	1 Jan 2018 After new IFRSs
Property, plant and equipment	258,934	0	0	1,097,921	1,356,855
Financial assets	805	2,329	0	0	3,134
Trade receivables (current and non-current)	179,200	–619	0	0	178,581
Other non-financial assets (current)	32,129	0	153	0	32,282
Financial liabilities (current and non-current)	644,796	0	0	1,097,921	1,742,717
Other provisions (current)	54,148	0	–114	0	54,034
Other liabilities	100,333	0	264	0	100,597
Retained earnings	**–42,808**	**1,710**	**3**	**0**	**–41,094**

Application of the new standards had the following effects on the income statement in fiscal year 2018:

In EUR k	2018 Before new IFRSs	IFRS 9 adjustments	IFRS 15 adjustments	IFRS 16 adjustments	2018 After new IFRSs
Revenue	1,582,639	0	–180	0	1,582,459
Cost of sales	–1,041,541	0	119	8,483	–1,032,939
Selling and administrative expenses and other operating result	–381,180	0	0	1,956	–379,224
Financial result	–12,690	0	0	–21,436	–34,126
Income taxes	–25,157	0	0	3,203	–21,954
Consolidated profit	**122,072**	**0**	**–61**	**–7,795**	**114,216**

The statement of financial position changed as follows as of 31 December 2018:

In EUR k	31 Dec 2018 Before new IFRSs	IFRS 9 adjustments	IFRS 15 adjustments	IFRS 16 adjustments	31 Dec 2018 After new IFRSs
Property, plant and equipment	258,197	0	0	1,041,018	1,299,214
Financial assets	434	2,387	0	0	2,822
Trade receivables (current and non-current)	167,986	–619	0	0	167,367
Other non-financial assets (current)	29,946	0	272	0	30,218
Finance liabilities and trade payables (current and non-current)	965,041	0	0	1,048,812	2,013,853
Other provisions (current)	50,238	0	196	0	50,434
Other liabilities	87,758	0	–526	0	87,232
Retained earnings	**–115,567**	**1,768**	**–58**	**–7,795**	**–121,652**

Standards and pronouncements adopted that have no effect on the Group's financial reporting

The following standards and pronouncements by the IASB became effective or were applied for the first time in fiscal year 2018. The specific nature of the amendments meant that they had no or no significant effect on the Group's financial reporting:

- **Improvements to IFRSs** (collection of amendments for 2014 to 2016) (effective for fiscal years beginning on or after 1 January 2018)
- Amendments to **IAS 40**, "Investment property" (effective for fiscal years beginning on or after 1 January 2018)
- **IFRIC 22**, "Foreign Currency Transactions" (effective for fiscal years beginning on or after 1 January 2018)
- **IFRS 2**, "Share-based Payment" (effective for fiscal years beginning on or after 1 January 2018)

Standards and pronouncements that are not yet effective

The following standards issued or amended by the IASB/IFRIC were not yet effective in the reporting period and have not been applied by the Group to date. First-time application of these standards is not expected to have any significant effects on the assets, liabilities, financial position and financial performance of the Group:

- **Improvements to IFRS** (collection of amendments for 2015 to 2017) (effective for fiscal years beginning on or after 1 January 2019 (not yet endorsed by the EU Commission))
- Amendments to **IAS 19** – Plan Amendment, Curtailment or Settlement (effective for fiscal years beginning on or after 1 January 2019 (not yet endorsed by the EU Commission))
- Amendments to **IAS 28** – Long-term Interests in Associates and Joint Ventures (effective for fiscal years beginning on or after 1 January 2019 (it was endorsed by the EU Commission on 8 February 2019))
- **IFRIC 23** – Accounting for Uncertainties in Income Taxes (effective for fiscal years beginning on or after 1 January 2019)
- Amendments due to the **IFRS Conceptual Framework** (effective for fiscal years beginning on or after 1 January 2020 (not yet endorsed by the EU Commission))
- Amendments to **IFRS 3** – Definition of a Business (effective for fiscal years beginning on or after 1 January 2020 (not yet endorsed by the EU Commission))
- Amendments to **IAS 1** and **IAS 8** – Definition of Material (effective for fiscal years beginning on or after 1 January 2020 (not yet endorsed by the EU Commission))

5 Basis of consolidation

The consolidated financial statements include the financial statements of all significant entities which Ströer SE & Co. KGaA directly or indirectly controls. In addition to Ströer SE & Co. KGaA, a further 116 German and 44 foreign subsidiaries were consolidated as of 31 December 2018 on the basis of full consolidation and four German joint ventures and five associates were included in these consolidated financial statements using the equity method.

The Ströer Group owns more than 50% of the shares in every fully consolidated entity, thus controlling each entity in accordance with IFRS 10 by holding the majority of voting rights in the relevant corporate bodies.

The equity interests are disclosed in accordance with Sec. 16 (4) AktG [“Aktiengesetz”: German Stock Corporation Act]. The direct parent company’s share is stated in each case and not the effective share.

Fully consolidated entities

			Equity interest in %	
Name	**Registered office**	**Country**	**31 Dec 2018**	**31 Dec 2017**
4EVER YOUNG GmbH	Unterföhring	Germany	75.0	75.0
Adscale Laboratories Ltd.	Christchurch	New Zealand	100.0	100.0
ahuhu GmbH	Unterföhring	Germany	70.0	70.0
Ambient-TV Sales & Services GmbH	Hamburg	Germany	70.0	70.0
andré media Nord GmbH	Munich	Germany	100.0	100.0
Asam Betriebs-GmbH	Beilngries	Germany	100.0	100.0
Asam GmbH	Beilngries	Germany	51.0	51.0
ASAMBEAUTY GmbH	Unterföhring	Germany	100.0	100.0
Assur Eco Conceil S.A.S.U.	Metz	France	100.0	–
Avedo Augsburg GmbH	Augsburg	Germany	100.0	–
Avedo Bremerhaven GmbH	Bremerhaven	Germany	100.0	–
AVEDO Essen GmbH	Essen	Germany	100.0	100.0
Avedo Frankfurt Oder GmbH	Frankfurt/Oder	Germany	100.0	–
AVEDO Gelsenkirchen GmbH	Gelsenkirchen	Germany	100.0	100.0
Avedo Gera GmbH	Gera	Germany	100.0	–
Avedo Hamburg GmbH	Hamburg	Germany	100.0	–
Avedo Hof GmbH	Hof	Germany	100.0	–
Avedo II GmbH	Pforzheim	Germany	100.0	–
Avedo Itzehoe GmbH	Itzehoe	Germany	100.0	–
Avedo Jena GmbH	Jena	Germany	100.0	–
Avedo Köln GmbH	Cologne	Germany	100.0	100.0
Avedo Leipzig GmbH	Leipzig	Germany	100.0	100.0
AVEDO Leipzig West GmbH	Leipzig	Germany	100.0	100.0
Avedo München GmbH	Munich	Germany	100.0	100.0
Avedo Münster GmbH	Münster	Germany	100.0	–
Avedo Neubrandenburg GmbH	Neubrandenburg	Germany	100.0	–
Avedo Palma S.A..	Palma de Mallorca	Spain	100.0	–
Avedo Rostock GmbH	Rostock	Germany	100.0	100.0
Avedo Rügen GmbH	Rügen	Germany	100.0	–
B.A.B. MaxiPoster Werbetürme GmbH	Hamburg	Germany	100.0	100.0
BHI Beauty & Health Investment Group Management GmbH	Unterföhring	Germany	51.0	51.0
BIG Poster GmbH	Stuttgart	Germany	100.0	–
BlowUP Media Belgium BVBA	Antwerp	Belgium	80.0	80.0
BlowUP Media Benelux B.V.	Amsterdam	Netherlands	100.0	100.0
BlowUP Media España S.A.	Madrid	Spain	100.0	100.0
BlowUP Media GmbH*	Cologne	Germany	100.0	100.0

* Ströer SE & Co. KGaA holds a direct interest in these entities.

Name	Registered office	Country	Equity interest in % 31 Dec 2018	31 Dec 2017
BlowUP Media U.K. Ltd.	London	UK	100.0	100.0
Boojum Kft.	Budapest	Hungary	60.0	60.0
Business Advertising GmbH	Düsseldorf	Germany	65.7	65.7
Business Power GmbH	Düsseldorf	Germany	100.0	100.0
C2E Est S.A.S.U.	Metz	France	100.0	–
C2E Ile de France S.A.S.U.	Metz	France	100.0	–
C2E Nord S.A.S.U.	Metz	France	100.0	–
C2E Ouest S.A.S.U	Metz	France	100.0	–
C2E Pas-de-Calais S.A.S.U.	Metz	France	100.0	–
C2E Sud-Ouest S.A.S.U.	Metz	France	100.0	–
Conexus AS	Drammen	Norway	54.8	54.8
Conexus Norge AS	Drammen	Norway	100.0	100.0
Conexus Vietnam Company Limited	Ho Chi Minh	Vietnam	100.0	–
Content Fleet GmbH	Hamburg	Germany	100.0	92.5
Courtier en Economie d´Energie S.A.S.U.	Metz	France	100.0	–
D+S 360 Webservice GmbH	Hamburg	Germany	100.0	–
Delta Concept S.a.r.l.	Sassenage	France	55.0	–
DERG Vertriebs GmbH	Cologne	Germany	100.0	100.0
DSA Schuldisplay GmbH	Hamburg	Germany	51.0	51.0
DSM Deutsche Städte Medien GmbH	Frankfurt	Germany	100.0	100.0
DSM Krefeld Außenwerbung GmbH	Krefeld	Germany	51.0	51.0
DSM Rechtegesellschaft mbH	Cologne	Germany	100.0	100.0
DSM Werbeträger GmbH & Co. KG	Cologne	Germany	100.0	100.0
DSM Zeit und Werbung GmbH	Frankfurt	Germany	100.0	100.0
ECE flatmedia GmbH	Hamburg	Germany	75.1	75.1
Erdbeerlounge GmbH	Cologne	Germany	100.0	100.0
FA Business Solutions GmbH	Würzburg	Germany	50.0	–
Fahrgastfernsehen Hamburg GmbH	Hamburg	Germany	100.0	100.0
Foodist GmbH	Hamburg	Germany	100.0	100.0
grapevine marketing GmbH	Munich	Germany	50.2	50.2
Hamburger Verkehrsmittel-Werbung GmbH	Hamburg	Germany	75.1	75.1
iBillBoard Internet Reklam Hizmetleri ve Bilisim Teknolojileri A.S.	Istanbul	Turkey	96.0	96.0
iBillBoard Poland Sp. z.o.o.	Warsaw	Poland	100.0	100.0
Immoclassic S.A.	Luxembourg	Luxembourg	100.0	–
Indoor Media Deutschland GmbH	Hamburg	Germany	100.0	100.0
INFOSCREEN GmbH	Cologne	Germany	100.0	100.0
InnoBeauty GmbH	Unterföhring	Germany	100.0	100.0
Interactive Media CCSP GmbH	Cologne	Germany	94.2	94.2
Internet BillBoard a.s.	Ostrava	Czech Republic	100.0	95.0
INTREN Informatikai Tanácsadó és Szolgáltató Kft.	Budapest	Hungary	50.9	50.9
kajomi GmbH	Planegg	Germany	51.0	51.0
Klassenfreunde.ch GmbH	Alpnach	Switzerland	100.0	100.0
Klassträffen Sweden AB	Stockholm	Sweden	100.0	100.0
Kultur-Medien Hamburg GmbH Gesellschaft für Kulturinformationsanlagen	Hamburg	Germany	100.0	51.0
Linkz Internet Reklam Hizmetleri ve Bilisim Teknolojileri A.S.	Istanbul	Turkey	100.0	100.0
Lunenburg und Partner Media-Service GmbH	Berlin	Germany	100.0	–
M.Asam GmbH	Unterföhring	Germany	100.0	100.0
MBR Targeting GmbH	Berlin	Germany	100.0	100.0
MediaSelect Media-Agentur GmbH	Baden-Baden	Germany	75.1	75.1

Name	Registered office	Country	Equity interest in % 31 Dec 2018	31 Dec 2017
Mercury Beteiligungs GmbH	Leipzig	Germany	75.0	75.0
MT Mobile Ticketing j.d.o.o.	Zagreb	Croatia	100.0	100.0
mYouTime AS	Drammen	Norway	64.3	64.3
Nachsendeauftrag DE Online GmbH	Cologne	Germany	60.0	60.0
Neo Advertising GmbH	Hamburg	Germany	79.9	79.9
Omnea GmbH	Berlin	Germany	80.0	80.0
OnlineFussballManager GmbH	Cologne	Germany	–	100.0
optimise-it GmbH	Hamburg	Germany	100.0	–
Outsite Media GmbH	Mönchengladbach	Germany	51.0	51.0
P.O.S. MEDIA GmbH Gesellschaft für Außenwerbung und Plakatservice	Baden-Baden	Germany	100.0	–
Permodo GmbH	Munich	Germany	76.0	76.0
Plakativ Media GmbH	Munich	Germany	100.0	100.0
PosterSelect Media-Agentur für Außenwerbung GmbH	Baden-Baden	Germany	75.1	75.1
Ranger Holding GmbH	Düsseldorf	Germany	–	100.0
Ranger Marketing & Vertriebs GmbH	Düsseldorf	Germany	100.0	100.0
Ranger Holding France S.A.S.U	Bagneux	France	100.0	100.0
RegioHelden GmbH	Stuttgart	Germany	100.0	90.0
Retail Media GmbH	Cologne	Germany	100.0	100.0
RZV Digital Medya ve Reklam Hizmetleri A.S.	Istanbul	Turkey	100.0	100.0
Sales Holding GmbH	Düsseldorf	Germany	100.0	100.0
Seeding Alliance GmbH	Cologne	Germany	70.0	51.0
SEM Internet Reklam Hizmetleri ve Danismanlik A.S.	Istanbul	Turkey	100.0	100.0
Service Planet GmbH	Düsseldorf	Germany	100.0	100.0
SF Beteiligungs GmbH	Cologne	Germany	87.7	75.4
SIGN YOU mediascreen GmbH	Oberhausen	Germany	100.0	100.0
Smartplace GmbH	Düsseldorf	Germany	100.0	100.0
SMD Rechtegesellschaft mbH	Cologne	Germany	100.0	100.0
SMD Werbeträger GmbH & Co. KG	Cologne	Germany	100.0	100.0
Social Media Interactive GmbH	Munich	Germany	–	58.8
SRG Rechtegesellschaft mbH	Cologne	Germany	100.0	100.0
SRG Werbeträger GmbH & Co. KG	Cologne	Germany	100.0	100.0
Statista GmbH	Hamburg	Germany	81.3	81.3
Statista Inc.	New York	USA	100.0	100.0
Statista Ltd.	London	UK	100.0	100.0
Statista S.a.r.l.	Paris	France	100.0	–
StayFriends GmbH	Erlangen	Germany	100.0	100.0
Ströer Content Group GmbH*	Cologne	Germany	100.0	100.0
Ströer DERG Media GmbH	Kassel	Germany	100.0	100.0
Ströer Deutsche Städte Medien GmbH	Cologne	Germany	100.0	100.0
Ströer Dialog Group GmbH	Leipzig	Germany	100.0	100.0
STRÖER Dialog Solutions GmbH	Hamburg	Germany	100.0	–
STRÖER Dialog Verwaltung Hamburg GmbH	Hamburg	Germany	100.0	–
Ströer Digital Commerce GmbH*	Cologne	Germany	100.0	100.0
Ströer Digital Group GmbH	Cologne	Germany	100.0	100.0
Ströer Digital International GmbH*	Cologne	Germany	100.0	100.0
Ströer Digital Media GmbH	Hamburg	Germany	100.0	100.0
Ströer Digital Operations Sp. z.o.o.	Warsaw	Poland	100.0	100.0
Ströer Digital Publishing GmbH*	Cologne	Germany	100.0	100.0
Ströer Digital Services Sp. z.o.o.	Warsaw	Poland	100.0	100.0

* Ströer SE & Co. KGaA holds a direct interest in these entities.

Name	Registered office	Country	Equity interest in % 31 Dec 2018	Equity interest in % 31 Dec 2017
Ströer KAW GmbH	Cologne	Germany	–	100.0
Ströer Kentvizyon Reklam Pazarlama A.S.*	Istanbul	Turkey	–	90.0
Ströer Kulturmedien GmbH	Cologne	Germany	100.0	100.0
Ströer media brands GmbH (vormals: Ströer media brands AG)	Berlin	Germany	100.0	100.0
Ströer Media Deutschland GmbH*	Cologne	Germany	100.0	100.0
Ströer Media Sp. z.o.K.	Warsaw	Poland	100.0	100.0
Ströer Mobile Performance GmbH	Cologne	Germany	100.0	100.0
Ströer Netherlands B.V.	Amsterdam	Netherlands	100.0	100.0
Ströer Netherlands C.V.	Amsterdam	Netherlands	100.0	100.0
Ströer News Publishing GmbH	Berlin	Germany	100.0	100.0
Ströer Next Publishing GmbH	Cologne	Germany	100.0	100.0
Ströer Polska Sp. z.o.o.*	Warsaw	Poland	100.0	100.0
Ströer Products GmbH	Berlin	Germany	75.0	75.0
Ströer Sales & Services GmbH	Cologne	Germany	100.0	100.0
STRÖER SALES France S.A.S.U.	Bagneux	France	100.0	100.0
Ströer Sales Group GmbH*	Cologne	Germany	100.0	100.0
Ströer Social Publishing GmbH	Berlin	Germany	72.0	62.0
Ströer SSP GmbH	Munich	Germany	100.0	100.0
Ströer Venture GmbH*	Cologne	Germany	100.0	100.0
Ströer Werbeträgerverwaltungs GmbH	Cologne	Germany	100.0	100.0
stylefruits GmbH	Munich	Germany	100.0	100.0
SuperM&N UG	Cologne	Germany	51.0	–
T&E Net Services GmbH	Berlin	Germany	60.0	60.0
Trombi Acquisition SARL	Paris	France	100.0	100.0
TUBE ONE Networks GmbH	Cologne	Germany	75.0	75.0
Tubevertise GmbH	Cologne	Germany	100.0	100.0
twiago GmbH	Cologne	Germany	–	51.0
UAM Digital GmbH	Hamburg	Germany	100.0	100.0
UAM Experience GmbH	Hamburg	Germany	100.0	100.0
UAM Media Group GmbH	Hamburg	Germany	87.4	74.8
Vendi S.A.S.U.	Paris	France	100.0	–
Yieldlove GmbH	Hamburg	Germany	51.0	51.0

* Ströer SE & Co. KGaA holds a direct interest in these entities.

Social Media Interactive GmbH, Munich, Ströer Kentvizyon Reklam Pazarlama A.S., Istanbul, and twiago GmbH, Cologne, were sold in the reporting period. Further details on the sales are provided in note 6.

The following entities were acquired by other group entities in intragroup mergers in 2018:

- OnlineFussballManager GmbH, Cologne
- Ranger Holding GmbH, Düsseldorf
- Ströer KAW GmbH, Cologne
- Okikado Ltd S.a.r.l., Luxembourg/Luxembourg

Subsidiaries with a material non-controlling interest

The table below provides financial information on subsidiaries with a material non-controlling interest and, with respect to parents of a subgroup, on the group of entities comprising the subgroup:

			Non-controlling interest in %	
Company/parent of the subgroup	**Registered office**	**Country**	**31 Dec 2018**	**31 Dec 2017**
BHI Beauty & Health Investment Group Management GmbH (AsamBeauty)	Unterföhring	Germany	49	49
InteractiveMedia CCSP GmbH	Darmstadt	Germany	6	6
Mercury Beteiligungs GmbH (Avedo)	Leipzig	Germany	25	25
UAM Media Group GmbH	Hamburg	Germany	13	25

The following tables present financial information on subsidiaries and groups of entities with a material non-controlling interest from the Group’s perspective (**after consolidation** but excluding put options):

In EUR k	31 Dec 2018	31 Dec 2017
Accumulated balances of material non-controlling interests		
Avedo group	–7,353	–7,721
BHI group (AsamBeauty)	13,115	14,150
InteractiveMedia group	13,803	15,519
UAM Media group	1,874	1,260

In EUR k	2018	2017
Profits (+)/losses (–) attributable to material non-controlling interests		
Avedo group	144	–2,537
BHI group (AsamBeauty)	4,319	3,992
InteractiveMedia group	2,679	1,996
UAM Media group	659	141

The following tables provide summarized financial information on these subsidiaries and groups of entities. All figures are presented **before elimination of intercompany balances, intercompany income and expenses and intercompany profits and losses**, as well as before taking into account any put options for shares held by non-controlling interests.

Summarized income statements for fiscal years:

2018

In EUR k	Avedo group	BHI group (AsamBeauty)	InteractiveMedia group	UAM Media group
Revenue	361,297	97,753	302,336	49,099
Cost of sales	–322,707	–55,220	–265,508	–32,301
Selling and administrative expenses	–43,884	–34,671	–58,172	–15,967
Other operating result	11,234	2,800	21,578	1,551
Financial result	–3,767	369	–495	–247
Profit or loss before taxes	**2,172**	**11,030**	**–261**	**2,135**
Income taxes	–340	447	1,101	510
Post-tax profit or loss	**1,832**	**11,477**	**840**	**2,645**
Total comprehensive income	**1,832**	**11,477**	**840**	**2,645**
Thereof attributable to non-controlling interests	458	5,624	49	333
Dividends paid to non-controlling interests	0	94	1,312	0

2017

In EUR k	Avedo group [1]	BHI group (AsamBeauty)	InteractiveMedia group	UAM Media group [2]
Revenue	57,605	78,906	273,261	4,885
Cost of sales	–46,429	–48,815	–241,549	–2,922
Selling and administrative expenses	–11,428	–24,543	–46,755	–1,955
Other operating result	1,275	2,500	391	579
Financial result	–697	2,460	–8	41
Profit or loss before taxes	**326**	**10,509**	**–14,660**	**627**
Income taxes	410	–516	49	–38
Post-tax profit or loss	**736**	**9,994**	**–14,611**	**589**
Total comprehensive income	**736**	**9,994**	**–14,611**	**589**
Thereof attributable to non-controlling interests	184	4,897	–847	148
Dividends paid to non-controlling interests	0	40	560	79

[1] Avedo group since 1 August 2017
[2] UAM Media group since 1 December 2017

Summarized statements of financial position as of:

31 Dec 2018

In EUR k	Avedo group	BHI group (AsamBeauty)	InteractiveMedia group	UAM Media group
Current assets	179,086	57,796	194,428	14,080
Non-current assets	417,750	58,350	301,025	19,264
Current liabilities	211,305	52,841	191,004	15,256
Non-current liabilities	266,942	4,648	24,354	10,312
Equity	**118,589**	**58,658**	**280,095**	**7,777**
Thereof attributable to:				
Owners of the parent	88,942	29,916	263,850	6,797
Non-controlling interests	29,647	28,742	16,245	980

31 Dec 2017

In EUR k	Avedo group[1]	BHI group (AsamBeauty)	InteractiveMedia group	UAM Media group[2]
Current assets	104,401	49,448	281,637	10,490
Non-current assets	364,176	59,315	283,054	16,179
Current liabilities	107,577	43,493	264,521	14,478
Non-current liabilities	218,780	4,340	19,122	7,059
Equity	**142,219**	**60,929**	**281,048**	**5,132**
Thereof attributable to:				
Owners of the parent	106,664	31,074	264,748	3,839
Non-controlling interests	35,555	29,855	16,300	1,293

[1] Avedo group since 1 August 2017
[2] UAM Media group since 1 December 2017

Summarized statements of cash flows:

31 Dec 2018

In EUR k	Avedo group	BHI group (AsamBeauty)	InteractiveMedia group	UAM Media group
Operating activities	60,240	4,552	28,844	3,186
Investing activities	–32,397	–2,815	–30,952	–1,022
Financing activities	–9,869	–12,106	3	–1,016
Total net cash flow	**17,974**	**–10,368**	**–2,104**	**1,148**

31 Dec 2017

In EUR k	Avedo group[1]	BHI group (AsamBeauty)	InteractiveMedia group	UAM Media group[2]
Operating activities	4,518	8,687	29,079	–219
Investing activities	–1,049	–2,078	–21,396	–143
Financing activities	5	–1,190	–180	–18
Total net cash flow	**3,474**	**5,420**	**7,503**	**–380**

[1] Avedo group since 1 August 2017
[2] UAM Media group since 1 December 2017

The decrease in cash flows from operating activities for the BHI group (AsamBeauty) stems from negative changes in working capital.

Joint ventures

The following joint ventures are engaged in the commercialization of out-of-home media. The Group’s investments in these joint ventures are accounted for in these consolidated financial statements using the equity method.

Name	Registered office	Country	Equity interest in % 31 Dec 2018	Equity interest in % 31 Dec 2017
DSMDecaux GmbH	Munich	Germany	50	50
mediateam Werbeagentur GmbH/Ströer Media Deutschland GbR	Berlin	Germany	50	50
Trierer Gesellschaft für Stadtmöblierung mbH	Trier	Germany	50	50
X-City Marketing Hannover GmbH	Hanover	Germany	50	50

The following tables provide financial information on DSMDecaux GmbH, X-City Marketing Hannover GmbH and the other joint ventures taken from these entities' separate financial statements, which were prepared in accordance with IFRSs, and a reconciliation of this information to the carrying amounts of the investments in these joint ventures:

31 Dec 2018

In EUR k	DSMDecaux GmbH	X-City Marketing Hannover GmbH	Other joint ventures	Total
Current assets	14,194	4,636	1,601	20,431
Non-current assets	29,448	35,139	542	65,129
Current liabilities	6,667	5,420	250	12,337
Non-current liabilities	22,825	25,468	116	48,409
Equity	**14,151**	**8,886**	**1,777**	**24,814**
Group's share in equity (in %)	50%	50%	50%	50%
Group's share in equity	**7,075**	**4,443**	**889**	**12,407**
Residual carrying amount of the allocated hidden reserves, net of deferred taxes	3,903	0	0	3,903
Goodwill	4,458	1,479	288	6,225
Carrying amount of the investments in equity method investees	**15,436**	**5,922**	**1,177**	**22,535**

31 Dec 2017

In EUR k	DSMDecaux GmbH	X-City Marketing Hannover GmbH	Other joint ventures	Total
Current assets	14,244	4,737	1,423	20,404
Non-current assets	7,332	6,015	611	13,958
Current liabilities	3,530	1,699	240	5,469
Non-current liabilities	3,521	473	128	4,122
Equity	**14,525**	**8,580**	**1,666**	**24,770**
Group's share in equity (in %)	50%	50%	50%	50%
Group's share in equity	**7,262**	**4,290**	**833**	**12,385**
Residual carrying amount of the allocated hidden reserves, net of deferred taxes	4,703	0	0	4,703
Goodwill	4,458	1,479	288	6,225
Carrying amount of the investments in equity method investees	**16,423**	**5,769**	**1,121**	**23,313**

The shares in equity method investees disclosed in the consolidated statement of financial position include the shares in associates in addition to these shares in joint ventures.

2018

In EUR k	DSMDecaux GmbH	X-City Marketing Hannover GmbH	Other joint ventures	Total
Revenue	24,354	12,700	1,008	38,062
Cost of sales	–6,099	–6,873	–554	–13,526
Selling and administrative expenses	–1,872	–3,629	–172	–5,672
Other operating result	46	383	21	449
Financial result	–503	–561	–3	–1,067
Profit or loss before taxes	**15,925**	**2,020**	**300**	**18,245**
Income taxes	–5,280	–714	–71	–6,065
Post-tax profit or loss	**10,645**	**1,307**	**229**	**12,180**
Group’s share in profit or loss	**5,322**	**653**	**114**	**6,090**
Amortization/depreciation of hidden reserves	–1,185	0	0	–1,185
Deferred taxes affecting profit	385	0	0	385
Share in profit or loss of equity method investees	**4,522**	**653**	**114**	**5,290**

2017

In EUR k	DSMDecaux GmbH	X-City Marketing Hannover GmbH	Other joint ventures	Total
Revenue	23,463	13,312	1,066	37,842
Cost of sales	–5,480	–7,483	–528	–13,490
Selling and administrative expenses	–1,784	–3,023	–185	–4,992
Other operating result	135	780	18	932
Financial result	–34	–2	–1	–36
Profit or loss before taxes	**16,301**	**3,584**	**371**	**20,256**
Income taxes	–5,416	–1,235	–88	–6,739
Post-tax profit or loss	**10,885**	**2,349**	**283**	**13,517**
Group’s share in profit or loss	**5,442**	**1,175**	**141**	**6,758**
Amortization/depreciation of hidden reserves	–1,185	–34	0	–1,219
Deferred taxes affecting profit	385	11	0	396
Share in profit or loss of equity method investees	**4,642**	**1,152**	**141**	**5,935**

The shares in profit or loss in equity method investees disclosed in the consolidated income statement include the shares in associates in addition to these shares in joint ventures.

The Group received a gross dividend of EUR 5,509k from DSMDecaux GmbH in the fiscal year (prior year: EUR 4,592k). Cost of sales and selling and administrative expenses include amortization and depreciation of EUR 2,881k (prior year: EUR 941k). In the fiscal year and in 2017, there were no contingent liabilities or capital commitments.

The increase in amortization and depreciation is due to first-time application of IFRS 16.

The Group received a gross dividend of EUR 500k from X-City Marketing Hannover GmbH in the fiscal year (prior year: EUR 3,000k). Cost of sales and selling and administrative expenses include amortization and depreciation of EUR 3,903k (prior year: EUR 527k). In the fiscal year and in 2017, there were no contingent liabilities or capital commitments.

The increase in amortization and depreciation is due to first-time application of IFRS 16.

The Group received a gross dividend of EUR 59k from the other joint ventures in the fiscal year (prior year: EUR 46k). In the fiscal year and in 2017, there were no contingent liabilities or capital commitments.

Associates

The following associates are accounted for in the consolidated financial statements using the equity method and are insignificant for the Ströer Group:

			Equity interest in %	
Name	**Registered office**	**Country**	**31 Dec 2018**	**31 Dec 2017**
Beauty Mates GmbH	Alling	Germany	40	–
European Web Video Academy GmbH	Düsseldorf	Germany	–	50
eValue 2nd Fund GmbH*	Berlin	Germany	33	33
Media-Direktservice GmbH	Cologne	Germany	25	25
IHM Innovatives Marketing an Hochschulen GmbH	Frankfurt am Main	Germany	–	49
Instytut Badán Outdooru IBO Sp. z.o.o.	Warsaw	Poland	50	33
OSD Holding Pte. Ltd	Singapore	Singapore	36	36

* Ströer SE & Co. KGaA holds a direct interest in this entity.

The carrying amount of the associates accounted for using the equity method is EUR 1,684k (prior year: EUR 1,251k).

The share in profit or loss of associates accounted for using the equity method is EUR –177k (prior year: EUR –79k).

6 Significant business combinations and sales

6.1 Business combinations

Transactions involving a change in control

DV-COM group
As of the acquisition date effective 27 February 2018, the Ströer Group acquired all of the shares in DV-COM GmbH, Pforzheim. DV-COM GmbH is a leading provider of high-quality customer care services. DV-COM strengthens the Ströer Group's new dialog marketing business created in 2017, adding additional extensive and scalable customer communication services. The final purchase price for the acquired shares, including the redemption of shareholder loans, comes to EUR 27.2m and was settled in cash.

The following table shows the consolidated fair values of the assets acquired and liabilities assumed from DV-COM GmbH and its subsidiary at the acquisition date:

In EUR k	Carrying amount at acquisition date	Adjustment from the purchase price allocation	Carrying amount in Ströer's consolidated statement of financial position
Intangible assets	293	3,320	3,613
Property, plant and equipment	1,162		1,162
Investments	8		8
Deferred tax assets	1,230		1,230
Inventories	8		8
Trade receivables	5,660		5,660
Other financial assets	190		190
Other non-financial assets	586		586
Current income tax assets	49		49
Cash	854		854
Financial liabilities	4,533		4,533
Deferred tax liabilities	0	1,063	1,063
Other provisions	236		236
Trade payables	335		335
Other liabilities	4,236		4,236
Current income tax liabilities	493		493
Net assets acquired	207	2,257	2,464

The carrying amounts of the acquired receivables, other financial and non-financial assets are equivalent to their respective fair values. The fair value of the receivables acquired is the best estimate for the expected cash flows from these receivables.

The purchase price allocation has been finalized in relation to the identification and measurement of the fair value of the assets acquired and liabilities assumed. The intangible assets identified comprise the customer base of DV-COM with a useful life of seven years.

The goodwill is based on the positive prospects of expanding the current customer base and thereby generating additional cash flows through heightened market penetration. The goodwill is allocated to the Direct Media segment. The goodwill of the entity was calculated using the purchased goodwill method as follows:

In EUR k	
Purchase price including the redemption of shareholder loans	27,174
Non-controlling interests	–924
Net assets acquired	2,464
Goodwill	23,786

D+S 360 group

With effect as of the acquisition date of 27 February 2018, Ströer acquired all of the shares in D+S communication center management GmbH, Hamburg. The D+S 360 group is a leading outsourcer of customer support services. The purchase price for the acquired shares, including the redemption of shareholder loans, comes to EUR 16.9m and was settled in cash.

The following table shows the consolidated fair values of the assets acquired and liabilities assumed from D+S communication center management GmbH and its 13 subsidiaries at the acquisition date:

In EUR k	Carrying amount at acquisition date	Adjustment from the purchase price allocation	Carrying amount in Ströer's consolidated statement of financial position
Intangible assets	415	10,429	10,844
Property, plant and equipment	19,753	–2,731	17,022
Deferred tax assets	1,561	1,086	2,647
Inventories	45		45
Trade receivables	32,111		32,111
Other financial assets	697		697
Other non-financial assets	1,579		1,579
Cash	957		957
Other provisions	3,817	662	4,479
Financial liabilities	27,192		27,192
Deferred tax liabilities	0	3,338	3,338
Trade payables	19,652		19,652
Other liabilities	2,376		2,376
Net assets acquired	4,081	4,784	8,865

The carrying amounts of the acquired receivables, other financial and non-financial assets are equivalent to their respective fair values. The fair value of the receivables acquired is the best estimate for the expected cash flows from these receivables.

The purchase price allocation has been finalized in relation to the identification and measurement of the assets acquired and liabilities assumed. The identified intangible assets mainly comprise the customer base with a fair value of EUR 10.4m and a useful life of ten years.

The goodwill is based on the positive prospects of expanding the current customer base and thereby generating additional cash flows through heightened market penetration.

The goodwill of the entity is allocated to the Direct Media segment. It was calculated using the purchased goodwill method as follows:

In EUR k	
Purchase price including the redemption of shareholder loans	16,852
Net assets acquired	8,865
Goodwill	7,987

C2E group

As of the acquisition date 13 June 2018, the Ströer Group acquired all of shares in Courtier en Economie d'Energie S.A.S.U., Metz, France, and its subsidiaries, as well as all shares in the sister companies Assur Eco Conseil S.A.S.U., Metz, France, Immoclassic S.A., Luxembourg, Luxembourg, and Okikado ltd. S.à r.l., Luxembourg, Luxembourg. The C2E group is a direct sales specialist that sells energy products to private and business customers in France and Belgium on behalf of its clients. The purchase price for the acquired shares came to EUR 9.4m. In addition, the purchase price will increase by at least EUR 3.7m in the next three years as a result of contractual adjustment clauses (earn-out arrangements based on EBIT).

The following table shows the consolidated provisional fair values of the assets acquired and liabilities assumed from Courtier en Economie d'Energie and its three sister companies at the acquisition date:

In EUR k	
Intangible assets	18
Property, plant and equipment	470
Trade receivables	1,280
Other financial assets	560
Other non-financial assets	53
Cash	2,370
Other provisions	188
Financial liabilities	758
Trade payables	878
Other liabilities	365
Current income tax liabilities	89
Net assets acquired	2,473

The carrying amounts of the acquired receivables, other financial and non-financial assets are equivalent to their respective fair values. The fair value of the receivables acquired is the best estimate for the expected cash flows from these receivables.

Due to the scope and complexity of the business processes, the purchase price allocation is still provisional in relation to the identification and measurement of the fair value of the assets acquired and liabilities assumed. Hence, the fair values of the assets acquired and liabilities assumed as well as goodwill may be adjusted.

The measurement of the earn-out liability is also provisional due to the scope and complexity of the business processes. At the acquisition date, it was measured at EUR 6,439k. In view of the course of business, the earn-out liability was reduced to EUR 5,565k with no effect on profit or loss.

The goodwill is based on the positive prospects of expanding the current customer base in France and Belgium and thereby generating additional cash flows through heightened market penetration.

The goodwill of the entity is allocated to the Direct Media segment. It was calculated using the purchased goodwill method as follows:

In EUR k	
Purchase price	9,400
Contractually agreed contingent purchase price payments in subsequent periods	5,565
Non-controlling interests	–36
Net assets acquired	2,473
Goodwill	12,456

Other business combinations

In addition to the acquisitions presented above, the Ströer Group acquired shares in Lunenburg & Partner Media-Service GmbH (100.0%), P.O.S. MEDIA GmbH Gesellschaft für Aussenwerbung und Plakatservice (100.0%), optimise-it GmbH (100.0%), FA Business Solutions GmbH (50.0%), SuperM&N UG (51.0%) and BIG Poster GmbH (100.0%) in the reporting period.

There are call and put options on the remaining shares in FA Business Solutions GmbH that can be exercised in the coming years provided that certain contractual conditions are met. For the shares in optimise-it GmbH, the earn-out liability calculated at the acquisition date was derecognized in view of the course of business with no effect on profit or loss.

The purchase price allocation is still provisional in relation to the identification and measurement of assets and liabilities at fair value for Lunenburg & Partner Media-Service GmbH, P.O.S. MEDIA GmbH, optimise-it GmbH, FA Business Solutions GmbH, SuperM&N UG and BIG Poster GmbH. Hence, the fair values of the assets acquired and liabilities assumed as well as goodwill may be adjusted in terms of the provisional purchase price allocations. The goodwill of optimise-it GmbH is allocated to the Direct Media segment whereas the goodwill of all other acquisitions is allocated to the Out-of-Home Media segment. The goodwill of the six acquired entities was calculated using the purchased goodwill method as follows:

In EUR k	
Purchase prices including the redemption of financial liabilities	16,754
Non-controlling interests	–35
Net assets acquired	1,101
Goodwill	15,618

The goodwill is based on the positive prospects of generating additional cash flows by leveraging further synergies in line with the growth strategy of the Ströer Group for the Direct Media and Out-of-Home Media segments.

Summary information

The contractually agreed purchase prices for acquisitions involving a change in control totaled EUR 78,791k (prior year: EUR 168,487k) including payments in subsequent periods (excluding the adjustment of earn-out payments) and redemption of financial liabilities. In the fiscal year, the acquisitions gave rise to transaction costs of EUR 1,867k which were reported under administrative expenses.

The effects on the cash flows from investing activities are presented below:

In EUR k	2018	2017
Total amount of purchase prices including the redemption of shareholder loans	–70,180	–144,751
Total amount of the redemption of bank and other loans	–3,560	–16,968
Total cash acquired	4,870	17,024
Change in cash for acquisitions in prior years	–1,568	–782
Net cash outflow from business combinations	–70,438	–145,477

The aggregate increases in the asset and liability items are shown below. Please note that some of the purchase price allocations for 2018 are still provisional:

In EUR k	2018	2017
Internally generated intangible assets	270	8,319
Other intangible assets	14,595	63,446
Property, plant and equipment	18,897	5,060
Investments	8	153
Deferred tax assets	3,877	2,143
Inventories	325	153
Trade receivables	41,964	26,475
Other financial assets	1,895	3,899
Other non-financial assets	2,670	12,691
Income tax assets	123	955
Cash	4,870	17,024
Other provisions	5,291	13,994
Deferred tax liabilities	4,401	23,206
Financial liabilities	34,350	24,188
Trade payables	22,091	10,122
Other liabilities	7,740	17,683
Income tax liabilities	718	3,117
Net assets acquired	14,903	48,008

The assets acquired and the liabilities assumed of all the newly acquired entities and their goodwill were allocated in accordance with their respective integration in the Ströer Group to the cash-generating units “Dialog Marketing” (DV-COM group, D+S 360 group, C2E group and optimise-it GmbH) and “Out-of-Home Media” (Lunenburg & Partner Media-Service GmbH, P.O.S. MEDIA GmbH, FA Business Solutions GmbH, SuperM&N UG and BIG Poster GmbH).

Since control was obtained in each case, the entities acquired in fiscal year 2018 have contributed the following revenue and profit or loss after taxes which are included in the consolidated income statement:

In EUR k	Revenue	Profit or loss after taxes
DV-COM group	33,895	1,386
D+S 360 group	74,847	–271
C2E group	6,147	694
Other business combinations	9,113	53
Total	**124,003**	**1,862**

The effect on the Group’s revenue and profit or loss after taxes in the consolidated financial statements had all the entities acquired in 2018 been fully consolidated as of 1 January 2018 is presented below. The amounts shown already reflect the effects of the purchase price allocation for some entities acquired in fiscal year 2018 (DV-COM group and D+S 360 group).

In EUR k	Revenue	Profit after taxes from continuing operations
1 Jan to 31 Dec 2018	1,617,471	112,949

Transactions not involving a change in control

Other transactions not involving a change in control were of marginal importance individually.

These acquisitions were presented as transactions between shareholders in accordance with IFRS 10. The corresponding accounting effects are presented in the following table. The transactions were summarized for materiality reasons:

In EUR k	
Total purchase prices	12,864
Non-controlling interests	408
Change in consolidated equity held by owners of Ströer SE & Co. KGaA	–12,455

The transactions mainly affected the consolidated retained earnings of the owners of Ströer SE & Co. KGaA.

Retrospective restatement of purchase price allocations

Avedo group

The purchase price allocation has now been finalized in relation to the measurement of the assets and liabilities of the Avedo group acquired in 2017. The final adjustment of the purchase price allocation had the following effects on the income statement for fiscal year 2017 and the statement of financial position as of 31 July 2017 (acquisition date):

In EUR k	31 Jul 2017 adjusted	31 Jul 2017 initial
Intangible assets	32,685	32,685
Deferred tax assets	71	0
Other provisions	222	0
Deferred tax liabilities	10,463	10,463
Net assets acquired	22,071	22,222

In EUR k	2017 adjusted	2017 initial
Cost of sales	1,390	1,390
Income taxes	445	445

The intangible assets mainly comprise brand names and customer bases with a fair value of EUR 32.7m and useful lives of between eight and ten years.

The goodwill was calculated using the purchased goodwill method as follows:

In EUR k	31 Jul 2017 adjusted	31 Jul 2017 initial
Purchase price including the redemption of shareholder loans	70,351	70,351
Non-controlling interests	–4,662	–4,845
Net assets acquired (acquisition date)	–5,292	–5,292
Net assets acquired (purchase price allocation)	22,071	22,222
Goodwill	48,910	48,575

The goodwill is based on the positive prospects of expanding the current customer base through the use of additional OOH media and generating additional cash flows through heightened market penetration. The goodwill is allocated to the “Dialog Marketing” cash-generating unit.

Ranger group

The purchase price allocation has now been finalized in relation to the measurement of the assets and liabilities of the Ranger group acquired in 2017. The final adjustment of the purchase price allocation had the following effects on the income statement for fiscal year 2017 and the statement of financial position as of 31 August 2017 (acquisition date):

In EUR k	31 Aug 2017 adjusted	31 Aug 2017 initial
Intangible assets	20,356	20,356
Deferred tax assets	189	0
Other provisions	591	0
Deferred tax liabilities	6,516	6,516
Net assets acquired	13,438	13,840

In EUR k	2017 adjusted	2017 initial
Cost of sales	1,357	1,357
Income taxes	434	434

The intangible assets mainly comprise the customer base with a fair value of EUR 19.9m and a useful life of five years.

The goodwill was calculated using the purchased goodwill method as follows:

In EUR k	31 Aug 2017 adjusted	31 Aug 2017 initial
Purchase price including the redemption of shareholder loans	44,958	44,958
Net assets acquired (acquisition date)	5,096	5,096
Net assets acquired (purchase price allocation)	13,438	13,840
Goodwill	26,423	26,022

The goodwill is based on the positive prospects of expanding the current customer base through the use of additional OOH media and generating additional cash flows through heightened market penetration. The goodwill is allocated to the “Dialog Marketing” cash-generating unit.

UAM group
The purchase price allocation has now been finalized in relation to the measurement of the assets and liabilities of the UAM group acquired on 12 December 2017. The adjustment of the purchase price allocation had the following effects on the statement of financial position as of 12 December 2017 (acquisition date):

In EUR k	Carrying amount at acquisition date	Adjustment from the purchase price allocation	Carrying amount in Ströer's consolidated statement of financial position
Intangible assets	776	5,566	6,342
Property, plant and equipment	1,566		1,566
Deferred tax assets	16	180	196
Inventories	109		109
Trade receivables	4,132		4,132
Other non-financial assets	2,244		2,244
Cash	2,503		2,503
Other provisions	3,348	606	3,954
Financial liabilities	3,409		3,409
Deferred tax liabilities	1,928	1,658	3,586
Trade payables	1,514		1,514
Other liabilities	4,385		4,385
Current income tax liabilities	97		97
Net assets acquired	–3,336	3,482	147

The intangible assets mainly comprise customer bases with a fair value of EUR 5.6m and useful lives of between six and eleven years.

The goodwill was calculated using the purchased goodwill method as follows:

In EUR k	12 Dec 2017 adjusted	12 Dec 2017 initial
Purchase price including the redemption of shareholder loans	12,367	12,443
Non-controlling interests	1,171	738
Net assets acquired (acquisition date)	–3,336	–3,336
Net assets acquired (purchase price allocation)	3,482	0
Goodwill	13,392	16,516

The goodwill is based on the positive prospects of expanding the current portfolio of advertising rights through the use of additional OOH media and generating additional cash flows through heightened market penetration. The goodwill is allocated to the "Ströer Germany" cash-generating unit.

Additional purchase price allocations
The purchase price allocations have now been finalized in relation to the measurement of the assets and liabilities of the following entities acquired in 2017:

- Neo Advertising GmbH
- MediaSelect Media-Agentur GmbH
- Plakativ Media GmbH
- PosterSelect Media-Agentur für Außenwerbung GmbH
- Yieldlove GmbH

On finalizing the purchase price allocations, mainly internally generated intangible assets of EUR 6,015k and the related deferred taxes were identified. The internally generated intangible assets mainly comprise customer bases and internally developed software. The useful life is four years in each case.

The goodwill of each of the acquired entities was calculated using the purchased goodwill method as follows:

In EUR k	Adjusted	Initial
Purchase price including contractually agreed contingent purchase price payments in subsequent periods	16,270	16,689
Non-controlling interests	1,881	698
Net assets acquired	7,931	2,625
Goodwill	10,220	14,762

While the goodwill of Neo Advertising GmbH and Yieldlove GmbH was allocated to the "Content Media" cash-generating unit, the goodwill of MediaSelect Media-Agentur GmbH, Plakativ Media GmbH and PosterSelect Media-Agentur für Aussenwerbung GmbH was allocated to the "Ströer Germany" cash-generating unit. The acquired entities are nearly all in an early development stage which can be profitably expanded by Ströer.

Business combinations after the reporting date

See the disclosures in note 44 for information on subsequent events. No significant business combinations took place after the reporting date.

6.2 Business sales

Transactions involving a change in control

Ströer Kentvizyon Reklam Pazarlama A.S.

By agreement dated 4 October 2018, Ströer SE & Co. KGaA sold its entire 90% holding in the Turkish subsidiary Ströer Kentvizyon Reklam Pazarlama A.S., Istanbul, Turkey. The contractual purchase price mainly comprises a vendor loan of EUR 13,000k as well as – depending on the future development of the entity – a conditional purchase price receivable. The acquirer assumed the Turkish subsidiary's bank liabilities that existed on the date of sale.

This step saw the Ströer Group withdraw entirely from the Turkish OOH advertising market, focusing instead even more keenly on the core German business and its future growth fields. At the time of the sale, the Turkish OOH business accounted for around 2% of consolidated revenue and just under 2% of the Ströer Group's EBITDA.

The "Ströer Turkey" cash-generating unit was classified for the first time as a discontinued activity as of 30 September 2018. The prior-year figures from the consolidated statement of comprehensive income were adjusted accordingly to present the discontinued operation separately from continuing operations.

The loss from the discontinued operation is calculated as follows:

In EUR k	2018	2017
Revenue	21,248	50,493
Expenses	–26,470	–68,044
Loss before taxes	**–5,222**	**–17,551**
Income taxes	0	0
Post-tax loss from operating activities	**–5,222**	**–17,551**
Loss from the sale of the discontinued operation	–114,817	0
Income taxes on profit from the sale of the discontinued operation	0	0
Loss from the discontinued operation, net of taxes	**–120,039**	**–17,551**
Basic earnings per share (EUR)	–2.15	–0.32
Diluted earnings per share (EUR)	–2.15	–0.32

The loss from the discontinued operation of EUR 120,039k (prior year: EUR 17,551k) is fully attributable to the owners of the parent. EUR 105,809k (prior year: EUR 112,840k) of the profit from continuing operations of EUR 114,216k (prior year: EUR 116,017k) is attributable to the owners of the parent.

The effects of the sale on the items of the Group's statement of financial position are as follows:

In EUR k	2018
Intangible assets	–8,887
Property, plant and equipment	–29,759
Inventories	–28
Trade receivables and other receivables	–12,422
Cash	–22
Deferred tax liabilities	648
Trade payables and other liabilities	22,265
Net assets and liabilities	**–28,204**

Business sales after the reporting date

No material sales were made after the reporting date.

7 Consolidation principles

The assets and liabilities of the consolidated entities are measured on the basis of uniform accounting policies. The reporting date of all entities consolidated is 31 December.

Subsidiaries are fully consolidated from the date of acquisition, i.e., the date on which the Group obtains control. Control within the meaning of IFRS 10, "Consolidated Financial Statements" is achieved when Ströer is exposed, or has rights, to variable returns from the subsidiary and has the ability to affect those returns through its power over the subsidiary. Consolidation ends as soon as the parent ceases to have control.

The cost of foreign entities acquired is translated into euros at the exchange rate applicable on the date of acquisition.

The acquisition method is applied for the initial accounting. The cost of a business combination is allocated by recognizing the assets acquired and liabilities assumed as well as certain contingent liabilities at fair value (purchase price allocation). Any excess of the cost of the combination over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities is recognized as goodwill. Goodwill attributable to non-controlling interests is also recognized as an asset on a case-by-case basis in accordance with IFRS 3. Any remaining negative goodwill is recognized immediately in profit or loss.

The hidden reserves and charges recognized are subsequently measured applying the accounting policy for the corresponding assets and liabilities. Goodwill recognized is tested for impairment annually (see note 19).

Write-ups or write-downs in the fiscal year on shares in consolidated entities recognized in the individual financial statements are eliminated in the consolidated financial statements. Intragroup profit and losses, revenue, expenses and income as well as receivables and liabilities between consolidated entities are eliminated.

Effects of consolidation on income taxes are accounted for by deferred taxes.

Non-controlling interests in equity and profit or loss are recognized in a separate item under equity.

If additional interests are acquired or sold in fully consolidated entities, this difference is directly set off against equity.

A joint venture is defined as a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Under IFRS 11, the question of whether legal or beneficial rights to net assets are held is assessed on the basis of the contractual relationships (e.g., articles of incorporation and bylaws, shareholder agreements, exchange of goods and services) between the vehicle and its partners. Joint ventures and associates are consolidated using the equity method. In the income statement, the Group's share in the profit or loss of associates and joint ventures is stated in earnings before financial result and taxes. Changes in the other comprehensive income of these investees are reflected in the Group's other comprehensive income.

Significant investments in which the Ströer Group holds between 20% and 50% of the shares and over which it can therefore exercise significant influence are accounted for in accordance with the equity method. This involves recognizing the interests in an associate in the statement of financial position at the cost of the acquisition plus the changes in the Group's share in the net assets of the associate arising since its acquisition. The Group's share in the profit or loss of an associate is presented in the income statement. This is the profit after taxes attributable to the owners of the associate.

Other investments are classified as fair value through other comprehensive income pursuant to IFRS 9.

8 Currency translation

The financial statements of the consolidated foreign entities whose functional currency is not the euro are translated pursuant to IAS 21, "The Effects of Changes in Foreign Exchange Rates" into the Group's presentation currency (euro). The functional currency of the foreign entities is the respective local currency.

Assets and liabilities are translated at the closing rate. Equity is reported at the historical rate. Expenses and income are translated into euros at the weighted average rate of the respective period. Exchange differences recognized directly in equity are only recognized in profit or loss if the corresponding entity is sold or deconsolidated.

Transactions conducted by the consolidated entities in foreign currency are translated into the functional currency at the exchange rate valid on the date of the transaction. Gains and losses arising on the settlement of such transactions or on translating monetary items in foreign currency at the closing rate are recognized in profit or loss.

Exchange rate effects from intragroup loans are recorded in other comprehensive income if the loans meet the criteria of a net investment as defined by IAS 21.

The following exchange rates were used for the most important foreign currencies in the Ströer Group:

		Closing date		Weighted average rate	
	Currency	**31 Dec 2018**	**31 Dec 2017**	**2018**	**2017**
Switzerland	CHF	1.1269	1.1702	1.1546	1.1102
Czech Republic	CZK	25.7240	25.5350	25.6421	26.3169
UK	GBP	0.8945	0.8872	0.8847	0.8758
Hungary	HUF	320.9800	310.3300	318.6405	309.1987
Norway	NOK	9.9483	9.8403	9.5999	9.3217
Poland	PLN	4.3014	4.1770	4.2598	4.2558
Sweden	SEK	10.2548	9.8438	10.2533	9.6351
Turkey	TRY	6.0588	4.5464	5.5697	4.1091
USA	USD	1.1450	1.1993	1.1804	1.1270

NOTES TO THE CONSOLIDATED INCOME STATEMENT

9 Revenue

Revenue breaks down as follows:

In EUR k	2018	2017
Revenue from the provision of services in the wider sense	1,469,275	1,143,673
Revenue from the sale of products	113,184	139,374
Total	**1,582,459**	**1,283,047**

See the disclosures under segment information for a breakdown of revenue by segment. Revenue from the sale of products is mainly generated in the Direct Media segment and is recognized for a given date while revenue from services is recognized for a given period.

The Group's customer bases are shaped by short lead times and bookings. As a result, the order backlog is mainly short term as of the reporting date.

Revenue includes income of EUR 12,861k (prior year: EUR 4,819k) from barter transactions. As of the reporting date, outstanding receivables and liabilities from barter transactions amounted to EUR 2,524k (prior year: EUR 1,419k) and EUR 1,855k (prior year: EUR 1,319k), respectively.

10 Cost of sales

Cost of sales includes all costs which were incurred in connection with the sale of products and provision of services and breaks down as follows:

In EUR k	2018	2017
Rental, lease and royalty payments	111,299	228,894
Amortization, depreciation and impairment losses	297,538	146,445
Personnel expenses	194,163	70,663
Other cost of sales	429,939	399,611
Total	**1,032,939**	**845,612**

11 Selling expenses

Selling expenses include all direct selling expenses and sales overheads incurred. They can be broken down into:

In EUR k	2018	2017
Personnel expenses	136,474	112,689
Amortization, depreciation and impairment losses	10,037	5,162
Other selling expenses	78,164	67,756
Total	**224,675**	**185,607**

The non-capitalizable components of product development costs are recognized in the income statement under selling expenses and amounted to EUR 1,594k (prior year: EUR 1,039k) in the reporting period.

12 Administrative expenses

Administrative expenses include the personnel and non-personnel expenses as well as amortization, depreciation and impairment losses relating to all administrative areas which are not connected with technology, sales or product development. Administrative expenses break down as follows:

In EUR k	2018	2017
Personnel expenses	100,673	76,753
Amortization, depreciation and impairment losses	36,572	11,164
Other administrative expenses	48,749	55,766
Total	**185,994**	**143,684**

13 Other operating income

The breakdown of other operating income is shown in the following table:

In EUR k	2018	2017
Income from the reversal of earn-out liabilities	6,715	7,513
Income from the reversal of provisions and derecognition of liabilities	11,541	11,130
Income from the reversal of bad debt allowances	1,796	1,747
Income from the disposal of property, plant and equipment and intangible assets	680	4,044
Income from services	1,676	1,549
Income from exchange differences	1,470	965
Income from the deconsolidation of subsidiaries	0	12,046
Miscellaneous other operating income	19,390	8,490
Total	**43,269**	**47,483**

Income from the reversal of earn-out liabilities relates in particular to the acquisition of Plakativ Media GmbH (EUR 2,092k) and tubevertise GmbH (EUR 1,910k), while in the prior year it mainly related to the acquisition of the BHI group (EUR 5,040k).

Income from the deconsolidation of subsidiaries in the prior year relates to the sale of ApDG Handels- und Dienstleistungsgesellschaft mbH, Ulm.

Income from the reversal of earn-out liabilities and from the deconsolidation of subsidiaries was eliminated from the calculation of operational EBITDA.

14 Other operating expenses

Other operating expenses break down as follows:

In EUR k	2018	2017
Expenses from restructuring	0	276
Expenses related to the recognition of bad debt allowances and derecognition of receivables and other assets	5,103	8,119
Out-of-period expenses	4,923	2,479
Expenses from exchange differences	2,134	1,751
Loss from the disposal of property, plant and equipment and intangible assets	786	1,249
Miscellaneous other operating expenses	3,993	3,876
Total	**16,938**	**17,749**

Miscellaneous other operating expenses in the prior year includes expenses from the increase in earn-out liabilities of EUR 2,171k. These expenses were adjusted when calculating operational EBITDA.

15 Financial result

The following table shows the composition of the financial result:

In EUR k	2018	2017
Finance income	**2,059**	**3,365**
Income from exchange differences on financial instruments	556	1,430
Interest income from loans and receivables	743	1,682
Other finance income	761	253
Finance cost	**–36,185**	**–11,262**
Unwinding of finance lease liabilities	–21,436	0
Interest expenses from loans and liabilities	–9,294	–7,040
Expenses from exchange differences on financial instruments	–735	–1,022
Other finance costs	–4,720	–3,201
Financial result	**–34,126**	**–7,897**

Income/expenses from exchange differences on financial instruments contain non-cash exchange gains/losses from the translation of loan arrangements with group entities outside of the eurozone, which do not meet the criteria of a net investment within the meaning of IAS 21. Only the loans to our Turkish group entities were classified as a net investment within the meaning of IAS 21 until the sale of the Turkish business. As a result, any exchange rate effects from these loans are recorded in other comprehensive income.

16 Income taxes

Taxes on income paid or due in the individual countries as well as deferred taxes are stated as income taxes. Income taxes break down as follows:

In EUR k	2018	2017
Expenses from current income taxes	35,397	35,263
thereof for prior years	952	4,388
Expenses (+)/income (–) from deferred taxes	–13,443	–15,442
thereof for prior years	1,199	–1,242
thereof from temporary differences	–19,956	–22,834
Expense (+)/income (–)	**21,954**	**19,821**

The changes in the transactions recognized directly in equity and the deferred taxes arising thereon are presented in the following table:

2018

In EUR k	Before taxes	Taxes	After taxes
Exchange differences on translating foreign operations	88,412	–1,438	86,974
Actuarial gains and losses	–597	280	–258
Changes in the fair value of financial investments through other comprehensive income	58		
	87,873	**–1,158**	**86,716**

2017

In EUR k	Before taxes	Taxes	After taxes
Exchange differences on translating foreign operations	–14,139	634	–13,505
Actuarial gains and losses	385	–119	266
	–13,754	**515**	**–13,238**

Deferred taxes are calculated on the basis of the applicable tax rates for each country. These range from 9% to 36.125% (prior year: from 9% to 33.99%).

Deferred taxes recognized for consolidation procedures are calculated based on the tax rate of 31.72% (prior year: 32.005%). This comprises corporate income tax of 15%, solidarity surcharge of 5.5% on corporate income tax and average trade tax of 15.895%. If consolidation procedures relate to a foreign subsidiary, the respective country-specific tax rate is applied.

Deferred taxes are allocated to the following items in the statement of financial position:

	31 Dec 2018		31 Dec 2017	
in EUR k	Assets	Liabilities	Assets	Liabilities
Intangible assets	17,706	95,897	13,086	108,192
Property, plant and equipment	1,528	349,199	81	17,845
Financial assets	57	394	6	370
Receivables, other financial and non-financial assets	5,404	6,015	2,082	6,160
Inventories	0	0	232	0
Pension provisions	5,449	98	5,241	67
Other provisions	5,707	1,958	7,277	2,222
Liabilities	344,882	9,995	12,977	8,792
Deferred taxes on temporary differences	**380,733**	**463,556**	**40,982**	**143,648**
Tax loss and interest carryforwards	31,364	0	37,050	0
Total deferred taxes	**412,097**	**463,556**	**78,032**	**143,648**
Set-offs	–395,661	–395,661	–63,220	–63,220
Carrying amount of deferred taxes	**16,436**	**67,895**	**14,812**	**80,428**

No deferred tax assets were recognized for loss carryforwards of EUR 130,927k (prior year: EUR 95,625k). EUR 122,403k thereof relates to German group entities and EUR 8,524k to foreign group entities. The majority of unused tax losses attributable to consolidated foreign entities for which no deferred tax assets were recognized will expire as follows:

Year	Amount in EUR k
2019	0
2020	572
2021	337
2022	400
2023	103
2024	0

Deferred tax assets arising from unused tax losses were recognized in the amount of EUR 14,456k although the entities to which these unused tax losses are attributable generated losses in the fiscal year or prior years and there are insufficient taxable temporary differences. On the basis of the tax planning of the entities concerned, however, we assume that we will be able to use these unused tax losses in future periods due to an increase in taxable income.

In accordance with IAS 12, deferred taxes must be recognized on the difference between the share in equity held in subsidiaries recognized in the consolidated statement of financial position and the carrying amount of the equity interest for these subsidiaries recognized in the parent's tax accounts ("outside basis differences") if this difference is expected to be realized. Deferred taxes were recognized in the consolidated financial statements for equity investments if distributions are expected in the near future. Overall, deferred tax liabilities on outside basis differences of EUR 346k (prior year: EUR 362k) were recognized.

For outside basis differences of EUR 50,733k (prior year: EUR 54,011k), no deferred taxes were recognized as Ströer KGaA can control the timing of the reversal of the temporary differences for these equity investments and does not expect them to reverse in the future.

The dividends paid in 2018 for fiscal year 2017 had no income tax consequences. Any dividend payments made in 2019 for fiscal year 2018 will, in all likelihood, not have any income tax consequences either.

The reconciliation of the expected tax expense and the actual tax expense is presented below:

In EUR k	2018	2017
Earnings before income taxes pursuant to IFRSs	136,170	135,837
Group income tax rate	31.72%	32.01%
Expected income tax expense for the fiscal year	43,193	43,475
Effect of tax rate changes	–186	1,110
Trade tax additions/deductions	–24,905	–28,438
Effects of taxes from prior years recognized in the fiscal year	–2,151	3,146
Effects of deviating tax rates	148	–1,355
Effects of tax-exempt income	–488	–4,284
Effects of equity method accounting	–1,825	–1,874
Effects of non-deductible business expenses	2,071	1,735
Effects of non-recognition or subsequent recognition of deferred tax assets	0	0
Recognition and correction of interest and loss carryforwards for tax purposes	6,699	6,282
Other deviations	–602	24
Total tax expense (+)/ tax income (–)	**21,954**	**19,821**

In 2015, the Ströer Group implemented various process improvements and structural changes in its legal entities. One of the effects of these measures was a considerable reduction in the Group's tax rate.

17 Notes to earnings per share

In EUR k	2018	2017
Basic earnings attributable to the shareholders of Ströer SE & Co. KGaA (continuing operations)	105,809	112,840

In thousands	2018	2017
Weighted average number of ordinary shares issued as of 31 December	55,878	55,319
Effects from subscription rights issued	269	1,291
Weighted average number of ordinary shares issued as of 31 December (diluted)	56,146	56,610

In 2018, the number of shares increased by 613,886 (prior year: 275,486) to 56,171,871 (prior year: 55,557,985) due to the stock option plan. As a result, earnings per share for 2018 were calculated based on a time-weighted number of shares of 55,877,739 (prior year: 55,318,714).

Earnings per share are subject to a potential dilution due to the stock option plans launched in fiscal years 2013 and 2015 and due to the share price LTI component. We refer to note “26 Equity.”

In addition, up to the date of the sale of the Turkish OOH business in October 2018, earnings per share were subject to a potential dilution by the contingent put options that were granted to a non-controlling interest in fiscal year 2010 in respect of its shares in the Turkish subsidiary. Settlement could have taken the form of the issue of shares in Ströer SE & Co. KGaA. While there was a dilutive effect in prior years, these potential shares had no dilutive effect in fiscal years 2017 and 2018 since the exercise price of the options was less favorable than the market price of the underlying share.

18 Other notes

Personnel expenses

Personnel expenses of EUR 431,310k (prior year: EUR 260,105k) are included in the cost of sales, administrative expenses and selling expenses.

The average number of employees in the fiscal year breaks down as follows:

Number	2018	2017
Salaried employees	11,495	5,236
Wage earners	191	100
Total	**11,686**	**5,336**

The number is based on the average number of employees at the end of the four quarters, taking into account their employment relationships. Part-time employees are included in full. Members of management, trainees, interns, pensioners and employees on parental leave are not included.

As of 31 December 2018, the Group had a total headcount (full and part-time employees) of 12,514 (prior year: 7,536). The difference of 828 to the average number above is largely due to the cut-off date of 31 December as the number of employees of the newly acquired companies is not calculated on a time-weighted basis in this assessment. In addition, the difference also results from the inclusion of employees on parental leave, trainees and temporary workers. These employees are not included in the above disclosure in accordance with Sec. 314 (1) No. 4 HGB in conjunction with Sec. 285 No. 7 HGB.

Amortization, depreciation and impairment losses

The amortization, depreciation and impairment losses included in the cost of sales, administrative expenses and selling expenses are shown in notes 10 to 12. The increase in amortization, depreciation and impairment losses by EUR 181,376k to EUR 344,147k is primarily attributable to the first-time application of IFRS 16 (EUR 170,903k) and additional amortization in connection with our business expansion and capitalized development costs.

Leases

Cost of sales, administrative expenses and selling expenses included the following expenses from operating leases until the introduction of IFRS 16 as of 1 January 2018:

In EUR k	2017
Rent	13,346
Vehicle leasing	3,303
Leasing of buildings	1,812
Hardware and software leasing	630
Rental/lease of facilities	926
Total	**20,017**

Currency effects

In the reporting period, losses of EUR 843k (prior year: EUR 378k) arising from exchange differences were recognized in the income statement; thereof, an expense of EUR 179k (prior year: EUR 408k) was recognized in the financial result.

NOTES TO THE STATEMENT OF FINANCIAL POSITION

19 Intangible assets

The development of intangible assets in the reporting period and in the prior year is presented in the following table.

In EUR k	Rights and licenses	Goodwill	Prepayments and projects under development	Own development costs	Acquired technologies	Total
Cost						
Opening balance 1 Jan 2017	**621,797**	**778,132**	**22,244**	**63,442**	**71,689**	**1,557,303**
Change in the consolidated group	62,662	98,846	68	0	8,319	169,895
Additions	17,135	0	13,845	21,212	0	52,192
Reclassifications	1,941	0	–4,843	2,651	0	–250
Disposals	–3,544	0	–12,602	–1,478	0	–17,624
Exchange differences	–9,628	–2,406	0	–374	–452	–12,860
Closing balance 31 Dec 2017/ opening balance 1 Jan 2018	**690,364**	**874,572**	**18,712**	**85,453**	**79,556**	**1,748,656**
Change in the consolidated group	–31,992	39,466	39	–3,669	0	3,844
Additions	74,191	0	17,868	23,278	0	115,337
Reclassifications	10,807	0	–15,189	5,854	0	1,472
Disposals	–4,908	0	–1,857	–9,188	0	–15,953
Exchange differences	–14,466	–932	–33	–265	–294	–15,990
Closing balance 31 Dec 2018	**723,997**	**913,106**	**19,539**	**101,462**	**79,262**	**1,837,367**
Amortization and impairment losses/reversals						
Opening balance 1 Jan 2017	**336,378**	**15,911**	**12,329**	**22,831**	**21,571**	**409,020**
Change in the consolidated group	–149	0	0	0	0	–149
Amortization and impairment losses	94,420	10,484	1,610	21,353	14,803	142,672
Reclassifications	46	0	–1	–45	0	0
Disposals	–3,266	0	–13,142	–551	0	–16,959
Exchange differences	–7,208	36	0	–238	–301	–7,712
Closing balance 31 Dec 2017/ opening balance 1 Jan 2018	**420,221**	**26,431**	**797**	**43,351**	**36,073**	**526,873**
Change in the consolidated group	–37,175	–20,588	0	–3,936	0	–61,699
Amortization and impairment losses	96,909	0	159	23,585	11,709	132,361
Reclassifications	0	0	0	0	0	0
Disposals	–560	0	–924	–7,181	0	–8,665
Exchange differences	–10,612	–20	0	–253	–296	–11,181
Closing balance 31 Dec 2018	**468,784**	**5,823**	**32**	**55,567**	**47,486**	**577,690**
Carrying amount 31 Dec 2017	**270,143**	**848,141**	**17,915**	**42,101**	**43,483**	**1,221,783**
Carrying amount 31 Dec 2018	**255,214**	**907,283**	**19,508**	**45,895**	**31,776**	**1,259,676**

EUR 453k of intangible assets was reclassified under IFRS 5 to non-current assets held for sale, with the reclassification mainly relating to rights and licenses.

In the fiscal year, no material investment grants pursuant to the "Investitionszulagengesetz" [InvZulG: German Investment Grant Act] were recognized as a reduction in cost.

Impairment of EUR 4,659k (prior year: EUR 3,860k) was charged on intangible assets (mainly rights and licenses). The impairment loss is mainly included in cost of sales.

The disposals on prepayments of EUR 12,602k in the prior year primarily relate to expenses capitalized as part of the restructuring of the Ströer Group's IT landscape which had already been written off in full in the prior year.

All goodwill acquired in business combinations was tested for impairment in the fiscal year.

The table below gives an overview of the allocation of goodwill to cash-generating units (CGUs) as well as the assumptions made in performing the impairment test:

In EUR k	Ströer Germany	Ströer Turkey	Digital OOH & Content	Ströer Poland	Transactions	Dialog Marketing	blowUP-group
Carrying amount 31 Dec 2017	**97,161**	**1,875**	**554,790**	**6,023**	**101,196**	**75,334**	**11,762**
Change in the consolidated group	13,734	–1,224	1,431	0	0	46,114	0
Exchange rate effects	0	–651	–77	–174	–10	0	0
Carrying amount 31 Dec 2018	**110,895**	**0**	**556,144**	**5,849**	**101,185**	**121,448**	**11,762**
Detailed forecast period (in years)	5	–	5	5	5	5	5
Revenue growth after the forecast period	1% (PY: 1%)	– (PY: 6.4%)	1% (PY: 1.2%)	1.5% (PY: 1.3%)	1% (PY: 1%)	1% (PY:1%)	1% (PY: 1%)
Interest rate (after taxes)	6.5% (PY: 5.7%)	– (PY: 13.7%)	7.1% (PY: 7.6%)	8.2% (PY: 7.3%)	7.3% (PY: 6.8%)	7.2% (PY: 7.0%)	5.9% (PY: 5.9%)

The cash-generating units Digital OOH & Content and Transactions emerged from the Digital Media Sales and Digital Content/Transactions cash-generating units in place in the prior year. The reorganization had become necessary to reflect the reality of the dependencies with various operations in generating cash inflows. The carrying amount of goodwill as of 31 December 2017 was adjusted on the basis of the relative fair values as of the date of modification.

The recoverable amount of the CGUs is determined using cash flow forecasts generated as of 30 September of each year based on financial forecasts approved by management.

The development of the EBITDA growth rates at Ströer Germany and Ströer Poland is primarily due to the sales targeting of new regional customer groups, the shift in the product mix towards higher-quality advertising media and the targeted extension of the product offering. The key driver of EBITDA growth in the Digital OOH & Content and Transactions cash-generating units is the exploitation of solid market growth bolstered by the exploitation of new product formats and technologies. EBITDA growth in Dialog Marketing is driven by targeted investments in the expansion of the business.

In this regard, the budgeted EBITDA is determined on the basis of detailed forecasts about the expected future market assumptions, income and expenses. The projected growth of EBITDA in the detailed forecast period is closely related to expected advertising investments in the advertising industry, the ongoing development of the competitive situation, the prospects of innovative advertising formats, local inflation rates, the respective prospects for the out-of-home advertising industry and the expansion investments planned by Ströer in individual segments. These expectations are primarily based on publicly available market data. With regard to the individual cash-generating units, these expectations lead to average EBITDA growth rates that are – depending on the market environment – in the mid-single-digit (Ströer Germany, Ströer Poland, blowUP group, Digital OOH & Content , Dialog Marketing) or in the low double-digit percentage range (transactions). In a second step, using the planned investments and working capital changes, EBITDA is transformed into a cashflow forecast. The detailed forecasts are then aggregated into financial plans and approved by management. These financial plans reflect the anticipated development in the forecast period.

For the purpose of performing an impairment test on goodwill, the fair value less costs to sell was classified as the recoverable amount (Level 3 of the fair value hierarchy). The discount rate used for the cash flow forecast was determined on the basis of market data and key performance indicators of the peer group and depends on the economic environment in which the cash flows are generated. As a result, separate interest rates for foreign CGUs were calculated on the basis of local circumstances.

The growth rate used in the terminal value (TV) is determined on the basis of long-term economic expectations and the expectations regarding the inflation trend in each market. To calculate these growth rates, information from central banks, economic research institutes and official statements by the relevant governments is gathered and evaluated.

For each non-impaired cash-generating unit, we conduct a scenario analysis to assess the effect of significant parameters on the need for impairment at the cash-generating units. This is based on the difference between the recoverable amount and the carrying amount.

As the difference between the recoverable amount and the carrying amount is high enough for all of the cash-generating units, no scenario analyses were required in the reporting period.

20 Property, plant and equipment

The development of property, plant and equipment is shown in the following statement of changes in non-current assets.

In EUR k	Land, land rights and buildings	Plant and machinery	Other plant and equipment	Property, plant and equipment (finance lease)	Prepayments made and assets under construction	Total
Cost						
Opening balance 1 Jan 2017	**13,862**	**1,324**	**479,767**	**47**	**40,354**	**535,354**
Change in the consolidated group	23	1	4,751	168	34	4,978
Additions	143	1,049	52,115	0	20,145	73,452
Reclassifications	34	0	7,944	0	–7,727	251
Disposals	–3,848	–321	–24,423	0	–1,335	–29,927
Exchange differences	–150	20	–7,796	–18	27	–7,916
Closing balance 31 Dec 2017/ opening balance 1 Jan 2018	**10,064**	**2,073**	**512,359**	**1,098,118**	**51,498**	**1,674,112**
Change in the consolidated group	355	163	–30,123	3,267	–914	–27,252
Additions	955	425	58,060	120,748	12,468	192,653
Reclassifications	–2	0	13,514	–140	–15,000	–1,628
Disposals	–3,877	–461	–21,312	–3,103	–2,889	–31,641
Exchange differences	–174	23	–12,288	–8,559	–529	–21,526
Closing balance 31 Dec 2018	**7,321**	**2,224**	**520,210**	**1,210,330**	**44,634**	**1,784,718**
Depreciation and impairment losses/ reversals						
Opening balance 1 Jan 2017	**3,296**	**311**	**297,908**	**47**	**3,019**	**304,582**
Change in the consolidated group	0	0	–44	0	0	–44
Depreciation and impairment losses	1,359	433	38,791	33	651	41,267
Reclassifications	0	0	0	0	0	0
Disposals	–2,036	–318	–20,730	0	–178	–23,262
Exchange differences	–144	20	–5,234	–15	87	–5,286
Closing balance 31 Dec 2017/ opening balance 1 Jan 2018	**2,475**	**446**	**310,691**	**65**	**3,579**	**317,257**
Change in the consolidated group	28	65	–19,515	682	–263	–19,004
Depreciation and impairment losses	340	505	40,029	170,903	0	211,777
Reclassifications	–2	0	–11	–31	44	0
Disposals	–1,801	–432	–11,997	–1,283	110	–15,402
Exchange differences	–167	24	–7,790	–1,025	–166	–9,123
Closing balance 31 Dec 2018	**873**	**608**	**311,408**	**169,312**	**3,304**	**485,504**
Carrying amount 31 Dec 2017	**7,589**	**1,627**	**201,668**	**132**	**47,919**	**258,934**
Carrying amount 31 Dec 2018	**6,448**	**1,616**	**208,802**	**1,041,018**	**41,330**	**1,299,214**

For further details on property, plant and equipment (finance lease – IFRS 16), we refer to note 35 in the notes to the consolidated financial statements.
EUR 853k of property, plant and equipment was reclassified under IFRS 5 to non-current assets held for sale, with the reclassification mainly relating to finance leases under property, plant and equipment.

Other plant mainly includes advertising media (carrying amount for the fiscal year: EUR 172,228k; prior year: EUR 177,796k).

In the fiscal year, investment grants pursuant to the InvZulG totaling EUR 287k (prior year: EUR 435k) were accounted for as a reduction in cost.

EUR 334k (prior year: EUR 573k) was recognized as income from compensation for damage to or destruction of property, plant and equipment. Impairment of EUR 3,021k (prior year: EUR 2,297k) was charged on property, plant and equipment (mainly for other plant). Impairment charges are largely included in cost of sales.

21 Trade receivables

Specific bad debt allowances on trade receivables developed as follows:

In EUR k	2018	2017
Bad debt allowances at the beginning of the fiscal year	**8,901**	**7,852**
Additions (recognized in profit or loss)	2,480	4,466
Reversals (recognized in profit or loss)	–1,062	–2,189
Utilization	–1,323	–448
Exchange differences	–475	–899
Change in the consolidated group	–4,141	91
Other changes	–39	28
Bad debt allowances at the end of the fiscal year	**4,341**	**8,901**

General bad debt allowances on trade receivables developed as follows:

In EUR k	2018	2017
Bad debt allowances at the beginning of the fiscal year	**1,324**	**1,016**
Additions (recognized in profit or loss)	543	330
Reversals (recognized in profit or loss)	–369	–189
Utilization	–119	–20
Exchange differences	–21	213
Change in the consolidated group	–89	–64
Other changes	36	39
Bad debt allowances at the end of the fiscal year	**1,305**	**1,324**

Within the scope of specific bad debt allowances, write-downs were charged on trade receivables with a gross invoice value of EUR 10,383k as of the reporting date (prior year: EUR 17,913k). Net of specific bad debt allowances of EUR 4,341k (prior year: EUR 8,901k), the carrying amount of these receivables came to EUR 6,042k (prior year: EUR 9,012k) as of the reporting date.

Expected losses on the basis of historical loss rates of overdue receivables were taken into account when recognizing general bad debt allowances.

The following table shows the carrying amounts of overdue trade receivables.

	Overdue by				
In EUR k	1 to 30 days	31 to 60 days	61 to 90 days	91 to 180 days	More than 180 days
31 Dec 2018	**24,495**	**6,017**	**2,340**	**3,998**	**4,185**
31 Dec 2017	23,321	6,132	2,607	3,363	2,813

22 Other financial and non-financial assets

A breakdown of other non-current financial and non-financial assets is shown below:

In EUR k	31 Dec 2018	31 Dec 2017
Financial assets		
Other loans	10,835	4,170
Other non-current financial assets	4,188	2,477
Total	**15,023**	**6,647**
Non-financial assets		
Prepaid expenses	16,214	15,229
Miscellaneous other non-current assets	6,432	7,442
Total	**22,646**	**22,671**

Miscellaneous other non-current (non-financial) assets mainly include capitalized transaction costs which are amortized over the term of the credit facility.

Other current financial and non-financial assets break down as follows:

In EUR k	31 Dec 2018	31 Dec 2017
Financial assets		
Receivables from existing and former shareholders of group entities	485	498
Creditors with debit balances	1,119	435
Security deposits	1,417	1,348
Residual purchase price receivables from the disposal of group entities	220	76
Other loans	345	3
Other financial assets	4,720	6,739
Total	**8,306**	**9,099**
Non-financial assets		
Prepaid expenses	13,838	15,615
Tax assets	12,366	13,953
Other prepayments	1,160	1,069
Receivables from investment grants	153	153
Miscellaneous other assets	2,701	1,339
Total	**30,218**	**32,129**

Impairment of other financial assets measured at amortized cost developed as follows:

In EUR k	2018	2017
Bad debt allowances at the beginning of the fiscal year	**2,714**	**507**
Additions (recognized in profit or loss)	286	1,468
Reversals (recognized in profit or loss)	–365	–8
Utilization	–482	–19
Exchange differences	0	0
Other changes	1	766
Bad debt allowances at the end of the fiscal year	**2,154**	**2,714**

Specific bad debt allowances with a nominal value of EUR 2,327k were charged on financial assets as of the reporting date (prior year: EUR 3,163k). Net of specific bad debt allowances of EUR 2,154k (prior year: EUR 2,714k), the carrying amount of these receivables came to EUR 173k (prior year: EUR 449k) as of the reporting date.

The following table shows the carrying amount of overdue financial assets which have not been written down yet.

	Overdue by				
In EUR k	1 to 30 days	31 to 60 days	61 to 90 days	91 to 180 days	More than 180 days
31 Dec 2018	**1,094**	**789**	**38**	**275**	**92**
31 Dec 2017	1,887	4	1	3	57

For current financial assets which have not been written down and which are not in default, no losses are expected as of the reporting date.

23 Inventories

In EUR k	31 Dec 2018	31 Dec 2017
Raw materials, consumables and supplies	7,893	6,436
Finished goods and merchandise	8,868	8,180
Prepayments made on inventories	1,497	907
Total	**18,259**	**15,522**

Inventories reported as expenses in the income statement amounted to EUR 8,848k in the reporting period (prior year: EUR 14,134k). The total of cost of inventories recognized in profit or loss included write-downs to the net realizable value of EUR 415k (prior year: EUR 802k).

24 Cash

In EUR k	31 Dec 2018	31 Dec 2017
Bank balances	103,552	84,905
Cash	145	78
Total	**103,696**	**84,984**

The bank balances include overnight money and time deposits of EUR 2,217k (prior year: EUR 5,286k). As in the prior year, the interest rates achieved approximated 0.00%.

As of the reporting date, bank balances of EUR 583k (prior year: EUR 432k) were subject to short-term restraints on disposal.

25 Non-current assets held for sale and liabilities associated with assets held for sale

As of the reporting date, the Ströer Group had non-current assets held for sale of EUR 14,957k and liabilities directly associated with assets held for sale of EUR 9,333k.

The reason for this separate disclosure is the planned sale of two smaller group entities:

In the Digital OOH & Content segment, Ströer Mobile Performance GmbH was sold for EUR 1.00 as of 25 January 2019. In the Direct Media segment, Foodist GmbH was classified as held for sale. The purpose of the sales is to streamline the Group's portfolio.

26 Equity

The development of the individual components of equity in the reporting period and the prior year is presented in the consolidated statement of changes in equity.

Subscribed capital
In fiscal year 2018, the Company's subscribed capital increased by 613,886 to 56,171,871 shares as a result of stock options being exercised. As of 31 December 2018 therefore, subscribed capital is split into 56,171,871 bearer shares of no par value. They have a nominal value of EUR 1 each and are fully paid in.

The following notes are mainly taken from the articles of incorporation and bylaws of Ströer SE & Co. KGaA.

<u>Approved capital 2014</u>
Approved capital 2014 of EUR 18,938,495 was created by resolution of the shareholder meeting on 18 June 2014. After a portion of EUR 6,412,715 of the approved capital 2014 was exercised on 2 November 2015 by way of a capital increase in return for a non-cash contribution, approved capital 2014 now amounts to EUR 12,525,780.

Subject to the approval of the supervisory board, the general partner is authorized to increase the Company's capital stock once or several times until 17 June 2019 by a maximum of EUR 12,525,780.00 in total (in words: twelve million five hundred and twenty-five thousand seven hundred and eighty euros) by issuing up to 12,525,780 (in words: twelve million five hundred and twenty-five thousand seven hundred and eighty) new bearer shares of no par value for contributions in cash or in kind (approved capital 2014); the increase, however, may not exceed the amount and the number of shares comprising the remaining approved capital pursuant to Art. 5 (1) of the articles of incorporation of Ströer SE on the date the change in the legal form of Ströer SE to a KGaA pursuant to the conversion resolution dated 25 September 2015 took effect. The shareholders must be granted a subscription right. The legal subscription right may also be granted such that the new shares are acquired by a bank or an entity active in accordance with Sec. 53 (1) Sentence 1 or Sec. 53b (1) Sentence 1, (7) KWG ["Kreditwesengesetz": German Banking Act] subject to the requirement that they are offered indirectly to shareholders for subscription in accordance with Sec. 186 (5) AktG. However, the general partner is authorized, with the approval of the supervisory board, to exclude the shareholders' legal subscription right for one or several capital increases within the scope of approved capital

(i) in order to exclude fractional amounts from the shareholders' subscription rights;
(ii) if the capital increase is made in return for non-cash contributions, especially for – but not limited to – the purpose of acquiring entities, parts of entities or investments in entities;
(iii) if the capital increase is made in return for cash contributions and the issue price of the new shares is not significantly below the market price of shares of the same class and voting rights already listed on the stock market on the date the final issue price is determined in accordance with Sec. 203 (1) and (2) and Sec. 186 (3) Sentence 4 AktG and the portion of capital stock allocable to the new shares issued in accordance with this section (iii) subject to the exclusion of subscription rights pursuant to Sec. 186 (3) Sentence 4 AktG does not exceed 10% of the total capital stock at the time that such authorization becomes effective or is exercised. The following portions of capital stock must be credited to this maximum amount: the portion which is attributable to new or own equity instruments issued or sold since 18 June 2014 and subject to the simplified exclusion of subscription rights pursuant to or by analogy to Sec. 186 (3) Sentence 4 AktG, as well as the portion of capital stock which is attributable to shares with attaching option and/or convertible bond rights/obligations from debt securities or participation certificates issued since 18 June 2014 applying Sec. 186 (3) Sentence 4 AktG as appropriate; and/or

(iv) to the extent necessary to issue subscription rights for new shares to owners of warrants or to creditors of convertible bonds or participation certificates with conversion or option rights that are issued by the Company or those entities it controls or majority owns in the scope to which they would be entitled after exercising the option or conversion rights or after fulfillment of the conversion obligation.

The general partner decides on the content of the respective share rights, the issue price, the consideration to be paid for the new shares and the other conditions of share issue with the approval of the supervisory board.

After full or partial increase in the capital stock from approved capital or after expiry of the authorization period, the supervisory board is authorized to make any amendments to the articles of incorporation and bylaws, provided that such amendments are only to the wording.

Conditional capital 2013

The capital stock is subject to a conditional increase by a maximum of EUR 2,274,700.00 by issuing a maximum of 2,274,700 bearer shares of no par value (conditional capital 2013). This conditional capital increase, however, may not exceed the amount and the number of shares relating to the conditional capital increase pursuant to Art. 6A (1) of the articles of incorporation of Ströer SE which had not yet been carried out on the date the change in the legal form of Ströer SE to a KGaA pursuant to the conversion resolution dated 25 September 2015 took effect. The sole purpose of the conditional capital increase is for the board of management to grant, as authorized by resolution of the shareholder meeting dated 8 August 2013, rights to bearers of stock options under the Stock Option Plan 2013. The conditional capital increase will only be implemented to the extent that the bearers of stock options granted under the authorization of the shareholder meeting on 8 August 2013 and pursuant to the conversion resolution of the shareholder meeting on 25 September, exercise these stock options and that the Company does not settle the stock options in cash. The new shares participate in profit from the beginning of the fiscal year for which no resolution on the appropriation of the accumulated profit has been adopted by the shareholder meeting at the time of their issue.

The general partner, having obtained the approval of the supervisory board, is authorized to determine the further details of the conditional capital increase unless stock options and shares are to be granted to members of the general partner's board of management. In that event, the supervisory board will determine the further details of the conditional capital increase. The supervisory board is authorized to amend the articles of incorporation and bylaws to reflect the scope of the capital increase from the conditional capital 2013.

Conditional capital 2015

The capital stock is subject to a conditional increase by a maximum of EUR 2,123,445.00 by issuing a maximum of 2,123,445 bearer shares of no par value (conditional capital 2015). This conditional capital increase, however, may not exceed the amount and the number of shares relating to the conditional capital increase pursuant to Art. 6B (1) of the articles of incorporation of Ströer SE which had not yet been carried out on the date the change in the legal form of Ströer SE to a KGaA pursuant to the conversion resolution dated 25 September 2015 took effect. The sole purpose of the conditional capital increase is for the board of management to grant, as authorized by resolution of the shareholder meeting dated 25 September 2015, rights to bearers of stock options under the Stock Option Plan 2015. The conditional capital increase will only be implemented to the extent that the bearers of stock options granted under the authorization of the shareholder meeting on 25 September 2015 exercise these stock options and that the Company does not settle the stock options in cash. The new shares participate in profit from the beginning of the fiscal year for which no resolution on the appropriation of the accumulated profit has been adopted by the shareholder meeting at the time of their issue.

The general partner, having obtained the approval of the supervisory board, is authorized to determine the further details of the conditional capital increase unless stock options and shares are to be granted to members of the general partner's board of management. In that event, the supervisory board will determine the further details of the conditional capital increase. The supervisory board is authorized to amend the articles of incorporation and bylaws to reflect the scope of the capital increase from the conditional capital 2015.

Conditional capital 2016

By resolution of the shareholder meeting of 14 June 2017, conditional capital 2016 of EUR 11,056,400.00 was cancelled with effect from the date when the conditional capital 2017 was entered in the commercial register for the Company. The cancellation was entered in the commercial register on 10 August 2017.

Conditional capital 2017
The Company's capital stock will be subject to a conditional increase by a maximum of EUR 11,056,400.00 by issuing a maximum of 11,056,400 new bearer shares of no par value (conditional capital 2017). The purpose of the conditional capital increase is to grant bearer shares of no par value to owners/creditors of convertible bonds and/or bonds with warrants which are being issued by the Company or an investee as a result of the authorization granted by the shareholder meeting of 14 June 2017 based on item 9 of the agenda. New bearer shares of no par value are issued at a particular conversion or option price determined by the abovementioned authorization resolution. Conditional capital is only to be increased to the extent that conversion or option rights are exercised or owners/creditors who are obliged to do so fulfill their obligation to exercise their conversion rights and provided that a cash settlement is not granted or use is not made of own equity instruments or of new shares issued from approved capital. The new bearer shares of no par value participate in profit from the beginning of the fiscal year in which they result through the exercise of options or conversion rights or the fulfillment of conversion obligations. The general partner, having obtained the approval of the supervisory board, is authorized to determine the further details of the conditional capital increase.

Capital reserves
In fiscal year 2018, the Group's capital reserves were increased by EUR 7,157k from EUR 728,384k to EUR 735,541k. This increase is attributable to the new stock option plans launched in 2013 and 2015.

Retained earnings
Retained earnings contain profits that were generated in the past by entities included in the consolidated financial statements and that have not been distributed. By resolution of the shareholder meeting on 30 May 2018, EUR 72,545k (EUR 1.30 per qualifying share) was distributed as a dividend and EUR 9,451k from the accumulated profit for 2017 was carried forward to new account.

Accumulated other comprehensive income
Accumulated other comprehensive income includes exchange differences from the translation of foreign currency financial statements of foreign operations as well as the effects from the valuation of hedged derivative financial instruments after deduction of the deferred taxes arising thereon. The amount also includes exchange differences of EUR 7,972k (expense) (prior year: EUR 4,399k (expense)) resulting from the translation of the loans granted by Ströer SE & Co. KGaA to its foreign group entities. These loans are designated as net investments and therefore did not affect consolidated profit or loss (including deferred taxes). Furthermore, in connection with the sale of the Turkish OOH business in October 2018, accumulated exchange losses of EUR 94,613k, which had been previously recognized in equity, were reported as an expense under profit or loss from discontinued operations.

Deferred taxes on net valuation effects of hedged derivative financial instruments offset directly against equity amount to EUR 0k (prior year: EUR 0k) in total. This is due to the current absence of hedges.

Non-controlling interests
Non-controlling interests comprise minority interests in the equity of the consolidated entities.

Obligation to purchase own equity instruments
By granting put options to the non-controlling shareholders of subsidiaries, the Company has undertaken to purchase the non-controlling interest if certain contractual conditions are met. We have presented these options as a notional acquisition on the reporting date as specified in explanations on accounting policies. Liabilities of EUR 75,418k (prior year: EUR 96,506k) have been allocated for these obligations.

Appropriation of profit
Profit is appropriated in accordance with German commercial and stock corporation law, which is used to calculate the accumulated profit of Ströer SE & Co. KGaA.

In fiscal year 2018, the annual financial statements of Ströer SE & Co. KGaA reported profit for the period of EUR 644,009k (prior year: EUR 36,317k).

Capital management
The objective of capital management at the Ströer Group is to ensure the continuation and growth of the Company, and maintain and build on its attractiveness to investors and market participants. In order to ensure the above, the board of management continually monitors the level and structure of borrowed capital. The borrowed capital included in the general capital management system comprises financial liabilities and other liabilities such as those disclosed in the consolidated statement of financial position. With regard to group financing through bank loans, the Ströer Group observes the external covenant of the maximum leverage ratio permitted. Key elements of the internal control system are the planning and ongoing monitoring of the adjusted operating result (operational EBITDA) as the latter is included in the determination of the applied credit margin by way of the leverage ratio. This leverage ratio is defined as the ratio of net debt to the

operating result before interest, depreciation and amortization (operational EBITDA). The relevant performance indicators are submitted to the board of management for consideration as part of regular reporting. The Company comfortably remained within the permitted net debt ratio as of the closing date as well as in the prior year. For more information on operational EBITDA, see also the section "Reconciliation: operational EBITDA" in the chapter "Background and strategy of the Ströer Group" in the combined management report."

Furthermore, the board of management monitors the Group's equity ratio. The equity used as a basis for determining the equity ratio corresponds to the equity reported in the statement of financial position including non-controlling interests.

Equity is also monitored by the individual entities within the scope of monitoring compliance with the minimum capital requirements to avert insolvency proceedings due to overindebtedness. The equity monitored in this context corresponds to the equity disclosed according to German law.

There were no other changes to the capital management strategy against the prior year.

27 Pension provisions and similar obligations

The major pension plans in place are defined benefit plans in Germany, where the pension obligation either depends on the remuneration of the employee in question upon reaching retirement age, or is based on a fixed commitment. As the actuarial gains and losses are recognized immediately in equity, the present value of the benefit obligation less plan assets corresponds to the pension provision reported in the statement of financial position.

Provisions for pensions and similar obligations break down as follows:

In EUR k	31 Dec 2018	31 Dec 2017
Present value of the benefit obligation as of 1 Jan	39,727	39,249
Current service cost	1,000	1,763
Net interest expense	625	692
Actuarial gains (–)/losses (+)	916	385
Benefits paid	–1,771	–2,219
Change in the consolidated group	–85	0
Exchange differences	–68	–96
Other changes	131	–47
Present value of benefit obligation as of 31 Dec / carrying amount	**40,476**	**39,727**

In the fiscal year, actuarial losses of EUR 916k were recognized directly in equity (prior year: EUR 385k). This development is chiefly attributable to changes in demographic assumptions compared to the prior year.

There were no curtailments in the fiscal year.

Sensitivities were calculated with half of a percentage point above and below the interest rate used. Raising the interest rate by 0.5 percentage points would decrease the present value of the benefit obligation by EUR 2,435k (prior year: EUR 2,428k) while lowering the interest rate by 0.5 percentage points would increase the benefit obligation by EUR 2,679k (prior year: EUR 2,692k) as of the reporting date.

In addition to a change in the interest rate, the pension trend was identified as a significant factor influencing the present value of the benefit obligation. Raising the pension trend by 0.5 percentage points would increase the present value of the benefit obligation by EUR 1,163k (prior year: EUR 1,211k) while lowering the pension trend by 0.5 percentage points would decrease the benefit obligation by EUR 1,078k (prior year: EUR 1,121k) as of the reporting date.

The present value of the pension benefits was calculated using the following assumptions:

Group (in %)	31 Dec 2018	31 Dec 2017
Interest rate	1.90	1.90
Pension trend	1.00	1.00
Salary trend	2.00	2.00
Employee turnover	1.00	1.00

The components of the cost of retirement benefits recognized in profit or loss are presented below:

In EUR k	2018	2017
Interest expense	625	692
Current service cost and other changes	1,131	1,716
Net defined benefit costs	**1,756**	**2,408**
Expenses for statutory pension contributions (defined contribution)	34,128	17,141
Total benefit expenses	**35,884**	**19,549**

Interest expense from pension obligations is included in the interest result, current service cost is included in personnel expenses. Actuarial gains and losses are recognized immediately in equity.

Cumulative actuarial gains (+) and losses (–) recognized directly in equity amounted to EUR –5,002k after taxes at the reporting date (prior year: EUR –4,557k).

The present values of the benefit obligations and actuarial gains and losses break down as follows:

In EUR k	31 Dec 2018	31 Dec 2017	31 Dec 2016	31 Dec 2015	31 Dec 2014
Present value of the shortfall	**40,476**	**39,727**	**39,249**	**36,740**	**27,025**
Gain/loss for the period from:					
Experience adjustments on plan liabilities	91	69	653	–105	–196
Adjustments to actuarial assumptions	825	316	1,197	–1,153	4,191

28 Other provisions

Provisions developed as follows in the fiscal year:

In EUR k	1 Jan 2018	Exchange differences	Change in the consolidated group	Allocation	Effects from unwinding the discount and changes in interest rates	Utilization	Reversal	Reclassification	31 Dec 2018
Restoration obligations	23,154	–54	0	3,524	284	–1,507	–700	0	24,702
thereof non-current	17,217								18,907
Personnel	26,944	–22	–113	28,685	7	–22,704	–3,849	–21	28,925
thereof non-current	5,561								4,207
Restructuring	1,133	0	0	0	0	–565	–260	0	308
Miscellaneous	30,345	86	295	23,350	1	–28,571	–1,961	–81	23,464
thereof non-current	4,650								3,851
Total	**81,576**	**11**	**182**	**55,559**	**292**	**–53,348**	**–6,770**	**–102**	**77,399**

The personnel provisions include management board and employee bonuses as well as severance payments.

The provision for restoration obligations is based on the anticipated costs of restoration. The provision was discounted using an interest rate of 0.57% (prior year: 0.87%).

The allocation includes actuarial gains of EUR 319k.

29 Financial liabilities

Non-current financial liabilities break down as follows:

In EUR k	Carrying amount 31 Dec 2018	Carrying amount 31 Dec 2017
Finance lease liabilities	922,062	0
Loan liabilities	560,216	496,343
Obligation to purchase own equity instruments	13,594	90,284
Liabilities from business acquisitions	5,734	13,075
Other financial liabilities	3,114	553
Total	**1,504,720**	**600,254**

The increase in finance lease liabilities relates to the adoption of the new lease standard IFRS 16, under which a large number of advertising concessions are recognized for the first time as financial liabilities. See our explanations in note 35 to these notes to the financial statements.

Ströer SE & Co. KGaA placed a note loan with a volume of EUR 145.0m on the capital market in June 2016. The loan has several tranches with terms of five and seven years. A volume of EUR 131.0m bears interest at the EURIBOR plus a variable margin that ranges between 100 and 110 basis points (bp). Interest on the remaining EUR 14.0m is fixed and ranges between 100 and 130bp.

Furthermore, in December 2016, Ströer SE & Co. KGaA agreed on a new credit facility of EUR 600.0m with a banking syndicate comprising selected German and foreign financial institutions, with the option to extend the volume by a further EUR 100.0m, if required. This new agreement replaced the previous facility. The term of the new financing was originally agreed for five years up to December 2021, with the option to extend the term by an additional year at both the end of the first and the second year. Both extensions were utilized so that the Group’s financing is now secured until December 2023. The total volume of EUR 600.0m is structured as a flexible revolving facility. The credit facility bears interest at the EURIBOR plus a variable margin that ranges between 65 and 160bp depending on the leverage ratio.

Finally, Ströer SE & Co. KGaA placed an additional note loan with a volume of EUR 350.0m on the capital market in October 2017. The individual tranches largely have terms of five and seven years. A volume of EUR 157.0m bears interest at the EURIBOR plus a variable margin that ranges between 65 and 90bp. Interest on the remaining EUR 193.0m is fixed and ranges between 65 and 140bp.

No further transactions were carried out in 2018. The new financing arrangement gave rise to transaction costs totaling EUR 755k in 2017 which, like the transaction costs from earlier financing, are released over the term of the loan. See note 22 for more details.

The decrease in long-term obligations to purchase own equity instruments mainly relates to a shift between non-current and current financial liabilities.

Current financial liabilities break down as follows:

In EUR k	31 Dec 2018	31 Dec 2017
Finance lease liabilities	133,773	173
Obligation to purchase own equity instruments	61,824	6,222
Current account liabilities	1,626	880
Debtors with credit balances	13,728	15,206
Liabilities from business acquisitions	7,851	2,918
Loan liabilities	7,066	6,200
Interest liabilities	772	772
Other current financial liabilities	20,707	12,170
Total	**247,347**	**44,542**

For information on the increase in current finance lease liabilities and the increase in obligations to purchase own equity instruments, see our comments under non-current financial liabilities.

Other current financial liabilities include, among other things, liabilities to non-controlling interests of EUR 9,616k (prior year: EUR 5,333k) which had to be accounted for as settlement claims within the scope of profit and loss transfer agreements.

See note 6 for more information on liabilities from business combinations.

30 Trade payables

Current and non-current trade payables break down as follows:

In EUR k	31 Dec 2018	31 Dec 2017
Trade payables	197,425	141,832
Deferred liabilities from outstanding invoices	64,362	73,353
Total	**261,786**	**215,185**

31 Other liabilities

Other current liabilities break down as follows:

In EUR k	31 Dec 2018	31 Dec 2017
Liabilities from other taxes	26,419	30,743
Deferred contributions	39,079	51,385
Miscellaneous other liabilities	21,734	18,205
Total	**87,232**	**100,333**

OTHER NOTES

32 Notes to the statement of cash flows

The statement of cash flows has been prepared in accordance with IAS 7, "Statement of Cash Flows," and shows the cash flows of the fiscal year broken down by cash flows from operating, investing and financing activities.

Cash flows from operating activities are presented using the indirect method by deducting non-cash transactions from profit or loss for the period in accordance with IAS 7. Furthermore, items which are attributable to cash flows from investing or financing activities are eliminated. The starting point for cash flows from operating activities is consolidated profit or loss, which is then reduced by the financial result and tax result in a second step. Cash flows from operating activities include, among other things, cash received from distributions by associates and joint ventures. As in the prior year, however, cash flows from operating activities do not include any other dividends received.

Besides the amounts contained in the cash flows from investing activities, in accordance with IAS 7.43, non-cash transactions which result in an increase in non-current assets need to be disclosed. These include in the wider sense within the meaning of IAS 7.44 a) finance lease items and thus all transactions under the scope of IFRS 16. See our explanations in note 20 and note 35. In the prior year, there were no significant transactions to be classified as finance leases as per the previous IAS 17 standard.

Cash consists of the cash reported in the statement of financial position. Cash comprises cash on hand and bank balances.

The following table shows the cash and non-cash changes in financial liabilities:

			Non-cash change			
in EUR m	1 Jan 2018	Cash change	Change in basis of consolidation	Change in fair value	Other	31 Dec 2018
Liabilities from finance leases (IFRS 16)	1,098.1	–161.4	2.6	21.4 [1]	94.6	**1,055.3**
Non-current liabilities to banks	496.3	61.6	0.3	0.2	0.0	**558.4**
Current liabilities to banks	0.9	–8.8	9.6	0.0	0.0	**1.6**
Obligation to purchase own equity instruments	96.5	–5.5	4.9	–20.6	0.0	**75.4**
Other financial liabilities	51.1	–17.9	11.4	–8.2	25.0	**61.3**
Total financial liabilities	**1,742.9**	**–132.1**	**28.8**	**–7.1**	**119.6**	**1,752.1**

			Non-cash change			
in EUR m	1 Jan 2017	Cash change	Change in basis of consolidation	Change in fair value	Other	31 Dec 2017
Non-current liabilities to banks	356.0	140.1	0.0	0.1	0.0	**496.3**
Current liabilities to banks	5.5	–5.9	1.4	0.0	0.0	**0.9**
Obligation to purchase own equity instruments	115.3	–24.7	8.2	–2.4	0.0	**96.5**
Other financial liabilities	41.0	–34.9	25.6	–4.9	24.2	**51.1**
Total financial liabilities	**517.8**	**74.7**	**35.1**	**–7.1**	**24.2**	**644.8**

[1] The 21.4 million euros relate to interest expenses from the compounding of lease liabilities.

33 Segment information

Reporting by operating segment

As of 1 January 2018, the Ströer Group bundled its business into three new segments which operate independently on the market in close cooperation with the group holding company Ströer SE & Co. KGaA. In this connection, the previous segments OOH Germany and OOH International were consolidated in a new segment Out-of-Home Media. At the same time, the previous segment Ströer Digital was split into two new segments, namely Digital OOH & Content and Direct Media. While the large formats, street furniture, transport and other OOH product groups are allocated to the Out-of-Home Media segment, the Digital OOH & Content segment houses display and video and digital marketing services. The dialog marketing and transactional product groups now belong to the Direct Media segment. This new segmentation reflects the further expansion in the Ströer Group's digital business.

In addition, as of 1 January 2018, the Ströer Group no longer includes its four joint ventures on a proportionate basis in its segment reporting, such that the previous reconciling item "IFRS 11 adjustment" is not applicable any longer. By aligning the internal and external reporting, the four joint ventures in the Ströer Group are now also consolidated using the equity method in the internal reporting and no longer at 50% applying the proportionate method.

2018

In EUR k	OOH Media	Digital OOH & Content	Direct Media	Reconciliation	Equity method reconciliation	Group value
External revenue	647,372	557,609	377,478	0	–	**1,582,459**
Internal revenue	16,316	9,342	195	–25,853	–	**0**
Segment revenue	663,688	566,952	377,673	–25,853	–	**1,582,459**
Operational EBITDA	309,865	193,923	55,275	–15,697	–	**543,366**
Amortization, depreciation and impairment losses	198,798	94,053	31,444	19,853	–	**344,147**
Interest income	654	319	350	–594	–	**729**
Interest cost	19,907	1,905	3,829	5,089	–	**30,730**
Income taxes	3,953	1,558	–343	–27,123	–	**–21,954**

2017

In EUR k	OOH Media	Digital OOH & Content	Direct Media	Reconciliation	Equity method reconciliation	Group value
External revenue	593,000	521,338	182,730	0	–14,021	**1,283,047**
Internal revenue	11,045	6,750	7,338	–25,133	0	**0**
Segment revenue	604,045	528,088	190,068	–25,133	–14,021	**1,283,047**
Operational EBITDA	163,421	167,873	18,824	–23,382	0	**326,737**
Amortization, depreciation and impairment losses	61,796	79,590	16,075	7,297	–1,988	**162,770**
Interest income	707	402	290	–79	0	**1,320**
Interest cost	1,003	1,102	2,173	2,779	–18	**7,040**
Income taxes	–4,891	6,428	–3,474	–20,873	2,989	**–19,821**

OOH Media
The OOH Media segment comprises the Group's entire German operations in the large formats, street furniture, transport and other product groups. Furthermore, the segment includes all of the operations of Ströer Poland and the giant poster business blowUP.

Digital OOH & Content
The Digital OOH & Content segment comprises the Group's entire operations in display, video and digital marketing services.

Direct Media
This segment comprises all of the operations of the dialog marketing and transactional product groups.

Internal control and reporting is based on the IFRS accounting principles described in note 1, "General."

Intersegment income is calculated using prices on an arm's length basis.

In the revenue item, the reconciliation of revenue from all segments to the Group's revenue only includes effects from consolidation.

The Group measures the performance of its segments by their internally defined "operational EBITDA." From the board of management's perspective, this indicator provides the most appropriate information to assess each individual segment's economic performance.

The segment performance indicator operational EBITDA comprises the total of gross profit, selling and administrative expenses and the other operating result (other operating income less other operating expenses), in each case before amortization, depreciation and impairment, less certain adjustment effects.

Reporting by geographical location

Revenue and non-current assets are allocated according to the location principle (i.e., the geographical location of the revenue-generating Ströer entity).

2018

In EUR k	Germany	Rest of world	Equity method reconciliation	Group value
External revenue	1,442,871	139,588	0	**1,582,459**
Non-current assets (IFRS 8)	2,505,505	100,331	0	**2,605,836**

2017

In EUR k	Germany	Rest of world	Equity method reconciliation	Group value
External revenue	1,156,784	140,285	–14,021	**1,283,047**
Non-current assets (IFRS 8)	1,438,110	86,796	3,045	**1,527,952**

Reporting by product group

The Group has defined nine product groups on the basis of the products and services it provides.

When adjusting the structure of its segments, the Ströer Group also aligned its reporting by product group to its current controlling scheme. Income has been extended to the digital marketing services (Digital OOH & Content) and dialog marketing (Direct Media) product groups.

2018

In EUR k	Large formats	Street furniture	Transport	Display	Video	Digital marketing services	Dialog marketing	Trans-actional	Other	Reconcili-ation	Equity method reconcili-ation	Group value
Segment revenue	316,577	149,685	61,105	297,223	130,310	139,418	262,489	115,184	136,321	–25,853	0	**1,582,459**

2017

In EUR k	Large formats	Street furniture	Transport	Display	Video	Digital marketing services	Dialog marketing	Trans-actional	Other	Reconcili-ation	Equity method reconcili-ation	Group value
Segment revenue	296,744	155,925	62,650	278,353	119,602	130,133	50,989	139,079	88,726	–25,133	–14,021	**1,283,047**

Large formats
The large formats product group mainly includes the large-format advertising media of up to 9 squaremeters and above which are predominantly found at prominent locations (e.g., arterial roads, squares and public buildings). In addition, this product group comprises the products from the giant poster business.

Street furniture
The street furniture product group mainly comprises standardized small-format advertising media no larger than 2 squaremeters which blend into the urban environment.

Transport
The advertising media in this product group include advertisements in or on public transport vehicles and product solutions for specific use at airports and train stations.

Display
The display product group includes all income from the commercialization of advertising on desktops and on mobile devices.

Video
This product group comprises all income from the commercialization of video advertising. Its media inventory includes online videos and public videos.

Digital marketing services
This product group comprises all income from subscription models and local digital product marketing.

Dialog marketing
The dialog marketing product group includes all income from telesales, telemarketing and field sales services (customer communication services).

Transactional
All income from e-commerce business is included in this product group.

Other
This product group comprises, in particular, all income from promotional and event media as well as the production and procurement of advertising media within the scope of our full service solution for customers.

While revenue in the transactional product group is recognized for a given date, revenue in the other product groups is mainly recognized for a given period.

In the fiscal year, no single end customer accounted for 10% or more of our total revenue.

34 Other notes pursuant to IFRS 7 and IFRS 13 on financial risk management and financial instruments

Financial risk management and derivative financial instruments

In the course of its operating activities, the Group is exposed in the area of finance to credit, liquidity and market risks. The market risks mainly relate to interest rate and exchange rate changes.

Credit risk
The credit risk is related to the deterioration of the economic situation of Ströer's customers and counterparties. This brings about the risk of a partial or full default on contractually agreed payments as well as the risk of credit-related impairment losses on financial assets. Excluding securities, the maximum risk of default equates to the carrying amount.

Credit risks mainly result from trade receivables. To manage the credit risk, the receivables portfolio is monitored on an ongoing basis. Customers intending to enter into transactions with large business volumes undergo a creditworthiness check beforehand; credit risk is at a level customary for the industry. Bad debt allowances are charged to account for the residual risk. The Ströer Group is exposed to a lesser extent to credit risks arising from other financial assets.

As part of the risk management process, the functional departments regularly analyze whether in particular credit risk concentrations have arisen from the build-up of receivables with similar features. The Group has defined similar features as a high amount of receivables accumulated against a single debtor or group of related debtors. As of the reporting date of 31 December 2018, no such risk concentrations involving significant amounts were evident.

Interest rate risk

The Ströer Group is mainly exposed to interest rate risks in connection with non-current floating-rate financial liabilities and existing cash and cash equivalents. Financial liabilities amounting to EUR 207.0m bear a fixed rate of interest. The remaining financial liabilities bear a floating rate of interest. The interest rate trend is monitored regularly to enable a swift response to changes. Hedging measures are coordinated and executed centrally. As in the prior year, there are no interest rate hedges in a hedge relationship.

In fiscal year 2018, as in the prior year, no remeasurement gains on interest rate swaps were taken to equity.

The sensitivity analysis of the interest rate risk shows the effect of an upward shift in the yield curve by 100bp and a downward shift by 10bp, ceteris paribus, on the profit or loss for the period. The yield curve was only shifted down 10bp as the Group believes that this decrease corresponds to the maximum interest rate risk arising from the current low interest rate level. The analysis relates to floating-rate financial liabilities and existing cash. The results are summarized in the table below:

	31 Dec 2018		31 Dec 2017	
In EUR k	**+100bp**	**–10bp**	**+100bp**	**–10bp**
Change in profit or loss for the period	–2,481	248	–2,064	206

Currency risk

Following the sale of the Turkish OOH business, with the exception of the translation of the operating results of foreign segments into euros, currency risk is of minor significance for the Ströer Group. The functional currency of the foreign operations is the local currency.

Currency risks arising on monetary financial instruments that are not denominated in the functional currencies of the individual Ströer group entities were included in the sensitivity analysis. Effects from the translation of foreign currency financial statements of foreign operations into the group reporting currency (euro) are not included in the sensitivity analysis in accordance with IFRS 7.

A 10% increase/decrease in the value of the euro against the Turkish lira as of 31 December 2018 would decrease/increase the profit or loss for the period by EUR 72k (prior year: EUR 281k). A 10% increase/decrease in the value of the euro against the Polish zloty would decrease/increase the profit or loss for the period by EUR 406k (prior year: EUR 616k). A 10% increase/decrease in the value of the euro against the US dollar would decrease/increase the profit or loss for the period by EUR 283k (prior year: EUR 68k). The effect on profit or loss for the period of all other currencies in the Group is not significant as of 31 December 2018. The designation of the euro-denominated loans as a net investment in a foreign operation (IAS 21) was considered in this analysis, which was performed on the assumption that all other variables, in particular interest rates, remain unchanged and is based on the foreign currency positions as of the reporting date.

Liquidity risk

The liquidity risk is defined as the risk that Ströer SE & Co. KGaA will not have sufficient funds to settle its payment obligations. The liquidity risk is countered through systematic liquidity management. A liquidity forecast for a fixed planning horizon and the unutilized credit lines in place ensure that the Group has adequate liquidity at all times. The following table shows the liquidity situation and the contractual maturity dates for the payments due under financial liabilities as of 31 December 2018:

Contractual maturity of financial liabilities including interest payments as of 31 Dec 2018

In EUR k	Carrying amount	Up to 1 year	1 to 3 years	3 to 5 years	More than 5 years	Total
Financial liabilities[1]	620,815	57,696	226,534	242,088	114,568	**640,887**
Finance lease liabilities	1,055,835	174,615	300,545	249,864	601,548	**1,326,572**
Trade payables	261,786	256,762	5,024	0	0	**261,786**
Obligation to purchase own equity instruments	75,418	61,824	5,617	3,021	4,956	**75,418**
Total	**2,013,853**	**550,898**	**537,720**	**494,973**	**721,072**	**2,304,663**

Contractual maturity of financial liabilities including interest payments as of 31 Dec 2017

In EUR k	Carrying amount	Up to 1 year	1 to 3 years	3 to 5 years	More than 5 years	Total
Financial liabilities[1]	548,110	44,030	41,685	354,955	134,499	**575,169**
Finance lease liabilities	173	173	0	0	0	**173**
Trade payables	215,185	215,185	0	0	0	**215,185**
Obligation to purchase own equity instruments	96,506	6,222	85,224	4,073	987	**96,506**
Total	**859,975**	**265,610**	**126,909**	**359,028**	**135,486**	**887,033**

[1] Excluding the obligation to purchase own equity instruments and finance lease liabilities.

Additional disclosures on financial instruments

The following table presents the carrying amount and fair value of the financial instruments included in the individual items of the statement of financial position, broken down by class and measurement category according to IFRS 9.

		Carrying amount pursuant to IFRS 9				
In EUR k	Measurement category pursuant to IFRS 9	Carrying amount 31 Dec 2018	Amortized cost	Fair value through other comprehensive income	Fair value through profit and loss	Fair value as of 31 Dec 2018
Assets						
Cash	AC	103,696	103,696			103,696
Trade receivables	AC	167,367	167,367			167,367
Other non-current financial assets	AC	15,023	15,023			15,023
Other current financial assets	AC	8,306	8,306			8,306
Assets recognized at fair value through other comprehensive income	FVTOCI	2,822	0	2,822		N/A
Equity and liabilities						
Trade payables	AC	261,786	261,786			261,786
Non-current financial liabilities[2]	AC	1,491,126	1,485,390		5,736[1]	1,491,126
Current financial liabilities[2]	AC	185,523	178,105		7,418[1]	185,523
Obligations to purchase own equity instruments	AC	75,418	0	75,418	0	75,418
Thereof aggregated by measurement category pursuant to IFRS 9:						
Assets at amortized cost	AC	294,391	294,391			294,391
Assets recognized at fair value through other comprehensive income	FVTOCI	2,822	0	2,822		N/A
Financial liabilities measured at amortized cost	AC	2,013,853	1,925,281	75,418	13,154[1]	2,013,853

[1] Earn-out liabilities (Level 3)
[2] Excluding the obligation to purchase own equity instruments

In EUR k	Measurement category pursuant to IAS 39	Carrying amount 31 Dec 2017	Carrying amount pursuant to IAS 39 Amortized cost	Fair value through other comprehensive income	Fair value through profit and loss	Fair value as of 31 Dec 2017
Assets						
Cash	L&R	84,984	84,984			84,984
Trade receivables	L&R	179,200	179,200			179,200
Other non-current financial assets	L&R	6,647	6,647			6,647
Other current financial assets	L&R	9,099	9,099			9,099
Available-for-sale financial assets	AFS	805	805			N/A
Equity and liabilities						
Trade payables	AC	215,185	215,185			215,185
Non-current financial liabilities	AC	509,964	497,256		12,708	509,964
Current financial liabilities	AC	38,320	35,680		2,640	38,320
Obligations to purchase own equity instruments	AC	96,506	0	96,506	0	96,506
Thereof aggregated by measurement category pursuant to IAS 39:						
Loans and receivables (L&R)		279,929	279,929			279,929
Available-for-sale financial assets (AFS)		805	805			N/A
Financial liabilities at fair value through profit or loss (FVTPL)		859,975	748,121	96,506	15,348	859,975

[1] Earn-out liabilities (Level 3)
[2] Excluding the obligation to purchase own equity instruments

Due to the short terms of cash and cash equivalents, trade receivables, trade payables, other financial assets and current financial liabilities, it is assumed that the fair values correspond to the carrying amounts.

The fair values of the liabilities to banks included in non-current financial liabilities are calculated as the present values of the estimated future cash flows taking into account Ströer's own credit risk (Level 2 fair values). Market interest rates for the relevant maturity date are used for discounting. It is therefore assumed as of the reporting date that the carrying amount of the non-current financial liabilities is equal to the fair value.

The fair value hierarchy levels and their application to the Group's assets and liabilities are described below:

Level 1: Listed market prices are available in active markets for identical assets or liabilities. The listed market price for the financial assets held by the Group is equivalent to the current bid price. These instruments are assigned to Level 1.

Level 2: Quoted or market prices for similar financial instruments on an active market or for identical or similar financial instruments on a market that is not active or inputs other than quoted prices that are based on observable market data. The instrument is assigned to Level 2 if all significant inputs required to determine the fair value of an instrument are observable in the market.

Level 3: Valuation techniques that use inputs which are not based on observable market data. Instruments assigned to Level 3 include in particular unquoted equity instruments.

Changes in the assessment of the level to be used for measuring the assets and liabilities are made at the time any new facts are established. At present, derivative financial instruments are measured at fair value in the consolidated financial statements and are all classified as Level 2.

Purchase price liabilities from business acquisitions and put options

Additionally, there are contingent purchase price liabilities from acquisitions as well as put options for shares in various group entities that are each classified as Level 3. These liabilities – which are tied to contractually agreed conditions – are remeasured as financial liabilities at fair value as of the reporting date on the basis of the measurement model laid down in the contract. The fair values of liabilities from contingent purchase price payments or relating to the acquisition of non-controlling interests are determined on the basis of discounted cash flows using unobservable inputs. The valuation model includes the EBITDA figures forecast for the interests concerned (which are probability-weighted in individual cases) as well as risk-adjusted interest rates in line with the underlying terms. The EBITDA figures result from the respective short and medium-term business planning and are estimated and, if appropriate, adjusted on a quarterly basis. The following table shows the changes in the liabilities classified as Level 3:

In EUR k	1 Jan 2018	Additions	Write-downs	Write-ups	Disposals	31 Dec 2018
Contingent purchase price liabilities	15,348	5,567	–6,715	–	–1,046	**13,154**
Liabilities from the obligation to purchase own equity instruments	96,506	4,932	–27,018	6,466	–5,467	**75,418**

In EUR k	1 Jan 2017	Additions	Write-downs	Write-ups	Disposals	31 Dec 2017
Contingent purchase price liabilities	17,912	6,617	–7,516	2,176	–3,842	**15,348**
Liabilities from the obligation to purchase own equity instruments	115,312	8,227	–14,103	11,726	–24,657	**96,506**

The remeasurement of the contingent purchase price liabilities led to expenses of EUR 0.0m (prior year: EUR 2.2m) that are reported in other operating expenses as well income of EUR 6.7m (prior year: EUR 7.5m) that are reported in other operating income. In addition, contingent purchase price liabilities of EUR 1.3m (prior year: EUR 0.0m) were reversed directly in equity due to adjusting events. Interest expenses from write-ups amounted to EUR 0.2m (prior year: EUR 0.0m).

The valuation models are sensitive to the amount of the forecast and actual EBITDA figures. For example, if the respective EBITDA increased by 20% (or decreased by 20%), the fair values of the contingent purchase price liabilities would increase by EUR 1.2m (prior year: EUR 1.1m) (or decrease by EUR 1.2m (prior year: EUR 2.2m)). Liabilities from put options would rise by EUR 9.6m (prior year: EUR 11.4m) or fall by EUR 3.3m (prior year: EUR 16.2m). The valuation models are also sensitive to the discount rates used. However, due to the predominantly short terms, if the discount rate increased or decreased by 100 basis points, there would only be a marginal change in the liabilities. This also applies to the prior-year amounts.

The following table shows the net gains and losses on financial instruments in the income statement, broken down by measurement category according to IFRS 9/ IAS 39 (excluding derivative financial instruments which are part of a hedge):

In EUR k	2018	2017
Financial assets measured at amortized cost	–3,240	–6,598
Financial liabilities measured at amortized cost	–6,427	–3,620

Net gains and losses on financial assets measured at amortized cost include the impairment losses (EUR 3,041k; prior year: EUR 6,319k), write-ups and exchange differences.

Net gains and losses on financial liabilities measured at amortized cost include effects from exchange differences and the unwinding of the discount on loans.

The total interest income for financial assets or financial liabilities that are not at fair value through profit or loss came to EUR 729k in the fiscal year (prior year: EUR 1,684k). The total interest expense for financial assets or financial liabilities that are not at fair value through profit or loss came to EUR 31,131k in the fiscal year (prior year: EUR 6,441k). The increase in the total interest expense is due to the first-time application of IFRS 16.

35 Notes pursuant to IFRS 16 on finance leases

The development of the rights of use on finance leases is broken down by asset class in the table below:

In EUR k	Advertising media locations	Property	Fixtures/other	Total
Cost				
Opening balance 1 Jan 2017	**0**	**0**	**47**	**47**
Change in the consolidated group	0	0	168	168
Exchange differences	0	0	–18	–18
Closing balance 31 Dec 2017/ opening balance 1 Jan 2018	**963,185**	**123,205**	**11,728**	**1,098,118**
Change in the consolidated group	–21,174	21,247	3,194	3,267
Additions	69,267	41,295	10,185	120,748
Reclassifications	0	0	–140	–140
Disposals	0	–323	–2,780	–3,103
Exchange differences	–8,163	–346	–50	–8,559
Closing balance 31 Dec 2018	**1,003,114**	**185,079**	**22,137**	**1,210,330**
Amortization, depreciation and impairment losses/reversals				
Opening balance 1 Jan 2017	**0**	**0**	**47**	**47**
Amortization, depreciation and impairment losses	0	0	33	33
Exchange differences	0	0	–15	–15
Closing balance 31 Dec 2017/ opening balance 1 Jan 2018	**0**	**0**	**65**	**65**
Change in the consolidated group	809	–90	–37	682
Amortization, depreciation and impairment losses	131,821	27,772	11,311	170,903
Reclassifications	0	0	–31	–31
Disposals	0	–92	–1,191	–1,283
Exchange differences	–950	–36	–38	–1,025
Closing balance 31 Dec 2018	**131,680**	**27,553**	**10,079**	**169,312**
Carrying amount 31 Dec 2017	**0**	**0**	**132**	**132**
Carrying amount 31 Dec 2018	**871,435**	**157,526**	**12,058**	**1,041,018**

Further information on finance leases:

In EUR k	2018
Expense for variable lease payments not included in the measurement of lease liabilities	92,969
Income from sub-leasing rights of use to third parties	2,094
Total cash outflows for leases	215,619

The lease amounts expected to be payable under the lease arrangements already concluded but which will not be recognized in the statement of financial position until after 31 December 2018 amount to EUR 2,874k. See note 29, “Financial liabilities”, for more information on liabilities from finance leases. Interest expenses from finance leases are presented in note 15, “Financial result.” Further disclosures on finance leases are provided in note 34, “Other notes pursuant to IFRS 7 and IFRS 13 on financial risk management and financial instruments.”

36 Contingent liabilities and other financial obligations

Contingent liabilities

There were no guarantees and liabilities similar to guarantees as of 31 December 2018.

Financial obligations

There are other financial obligations from the following contractual obligations, which are shown by maturity as of the reporting date below:

31 Dec 2018			thereof due in	
In EUR k	Total amount	up to 1 year	1 to 5 years	more than 5 years
Investment obligations	**16,812**	11,772	4,532	508
Maintenance services	**6,166**	1,897	3,944	325
Miscellaneous other financial obligations	**20,366**	15,131	4,121	1,114

In the prior year, obligations broke down as follows:

31 Dec 2017			thereof due in	
In EUR k	Total amount	up to 1 year	1 to 5 years	more than 5 years
Minimum leases	**1,045,339**	110,723	430,672	503,944
Site leases	**215,722**	44,452	151,360	19,910
Investment obligations	**26,835**	17,786	8,086	964
Other rental and lease obligations	**156,585**	30,130	98,115	28,341
Maintenance services	**853**	527	326	0
Miscellaneous other financial obligations	**10,893**	9,345	1,548	0

The reduction in other financial obligations is due to the introduction of the new IFRS 16, Leases (see also section 35). Obligations are now presented in the statement of financial position and released over the term of the identified leases.

37 Related parties

The board of management and supervisory board as well as their close family members are deemed related parties. Besides the entities included in the consolidated financial statements, related parties include in particular those entities in which related parties hold a controlling position alone or jointly with others.

All transactions with related parties were conducted at arm's length in the fiscal year.

The following transactions were conducted between the Ströer Group and related parties in fiscal year 2018:

Udo Müller is a shareholder of Ströer SE & Co. KGaA as well as chairman of the board of management of Ströer Management SE, Düsseldorf. The Ströer Group also procured services of EUR 56k (prior year: EUR 4k) from Mr. Müller or an entity in which he holds an interest. These services mainly relate to rental and lease expenses.

Dirk Ströer is a shareholder and member of the supervisory board of Ströer SE & Co. KGaA. He also holds shares in entities with which business transactions were conducted in the fiscal year, largely involving the commercialization of advertising media, the award of advertising concessions and the leasing of buildings. The expenses incurred for the services received in the fiscal year amounted to EUR 30,688k (prior year: EUR 29,808k) and the income generated came to EUR 6,985k (prior year: EUR 6,814k). The receivables and liabilities resulting from this trade came to EUR 2,186k (prior year: EUR 510k) and EUR 9,724k (prior year: EUR 1,642k), respectively, as of 31 December 2018.

Ströer SE & Co. KGaA has a business relationship with Deutsche Telekom AG. In addition, Ströer SE & Co. KGaA has been an associated company of Deutsche Telekom AG since 2 November 2015. The services received from this business relationship in fiscal year 2018 amounted to EUR 7,691k (prior year: EUR 7,909k) and the income generated came to EUR 76,921k (prior year: EUR 18,699k). As of 31 December 2018, these services led to receivables of EUR 5,786k (prior year: EUR 519k) and liabilities of EUR 382k (prior year: EUR 613k).

Ströer SE & Co. KGaA distributed a dividend totaling EUR 72,545k in the fiscal year. Udo Müller and Dirk Ströer participated in this distribution to the extent of the interests held by them.

Ströer Management SE, which is the general partner of Ströer SE & Co. KGaA, provides management services to Ströer SE & Co. KGaA. The services received from this business relationship in 2018 amounted to EUR 488k (prior year: EUR 274k) and the income generated came to EUR 32k (prior year: EUR 32k). These services led to liabilities of EUR 297k as of 31 December 2018 (prior year: EUR 169k).

The services received in the fiscal year from business relationships with equity method investees amounted to EUR 8,680k (prior year: EUR 10,275k) and the income generated came to EUR 3,988k (prior year: EUR 6,044k). As of 31 December 2018, these services led to receivables of EUR 262k (prior year: EUR 3,216k) and liabilities of EUR 7,905k (prior year: EUR 6,935k).

38 Auditor's fees

The following expenses for services rendered by the group auditor, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, were posted in fiscal year 2018:

In EUR k	2018	2017
Auditor's fees		
Fees for audit services	826	971
Fees for audit-related services	28	44
Fees for tax services	220	204
Fees for other services	140	225
Total	**1,214**	**1,444**

The fees for other services mainly comprise expenses for advisory services in connection with purchase price allocations, due diligence services and the implementation of new accounting standards.

39 Disclosures pursuant to Sec. 264 (3) HGB

The following German subsidiaries incorporated as corporations or partnerships make use of the exemption from certain provisions concerning the presentation, audit and publication of the financial statements/management report in accordance with Sec. 264 (3) HGB and/or Sec. 264b HGB:

Asam Betriebs-GmbH, Beilngries
ASAMBEAUTY GmbH, Unterföhring
Avedo Essen GmbH, Essen
Avedo Gelsenkirchen GmbH, Gelsenkirchen
Avedo Köln GmbH, Cologne
Avedo Leipzig GmbH, Leipzig
Avedo Leipzig West GmbH, Leipzig
Avedo München GmbH, Munich
Avedo Rostock GmbH, Rostock
B.A.B. MaxiPoster Werbetürme GmbH, Hamburg
BHI Beauty & Health Investment Group Management GmbH, Unterföhring
BlowUP media GmbH, Cologne
DERG Vertriebs GmbH, Cologne
DSM Deutsche Städte Medien GmbH, Frankfurt am Main
DSM Rechtegesellschaft mbH, Cologne
DSM Werbeträger GmbH & Co. KG, Cologne
DSM Zeit und Werbung GmbH, Cologne
ECE flatmedia GmbH, Hamburg
INFOSCREEN GmbH, Cologne
InnoBeauty GmbH, Unterföhring
Interactive Media CCSP GmbH, Cologne
kajomi GmbH, Planegg
M. Asam GmbH, Unterföhring
Mercury Beteiligungs GmbH, Leipzig
Permodo GmbH, Munich
Ranger Marketing & Vertriebs GmbH, Düsseldorf
Retail Media GmbH, Cologne
Sales Holding GmbH, Düsseldorf
Service Planet GmbH, Düsseldorf
Smartplace GmbH, Düsseldorf
SMD Rechtegesellschaft mbH, Cologne
SMD Werbeträger GmbH & Co. KG, Cologne
SRG Rechtegesellschaft mbH, Cologne
SRG Werbeträger GmbH & Co. KG, Cologne
Statista GmbH, Cologne
StayFriends GmbH, Berlin
Ströer Content Group GmbH, Cologne
Ströer DERG Media GmbH, Kassel
Ströer Deutsche Städte Medien GmbH, Cologne
Ströer Dialog Group GmbH, Leipzig
Ströer Digital Commerce GmbH, Cologne
Ströer Digital Group GmbH, Cologne
Ströer Digital International GmbH, Cologne
Ströer Digital Media GmbH, Hamburg
Ströer Digital Publishing GmbH, Cologne
Ströer Kulturmedien GmbH, Cologne
STRÖER media brands GmbH (formerly STRÖER media brands AG), Berlin
Ströer Media Deutschland GmbH, Cologne
Ströer News Publishing GmbH, Cologne
Ströer Next Publishing GmbH, Cologne
Ströer Performance Group GmbH, Cologne
Ströer Sales & Services GmbH, Cologne
Ströer Sales Group GmbH, Cologne
Ströer Social Publishing GmbH, Berlin
Ströer SSP GmbH, Munich
Ströer Venture GmbH, Cologne
Ströer Werbeträgerverwaltungs GmbH, Cologne
T&E Net Services GmbH, Berlin
Yieldlove GmbH, Hamburg

40 Declaration of compliance with the German Corporate Governance Code

The board of management of Ströer Management SE, which is the general partner of Ströer SE & Co. KGaA, and the supervisory board of Ströer SE & Co. KGaA submitted the annual declaration of compliance with the German Corporate Governance Code in accordance with Sec. 161 AktG on 13 December 2018. The declaration of compliance was made permanently available to shareholders on the Company's website at www.stroeer.com/investor-relations in the Corporate Governance section.

41 Remuneration of the board of management and the supervisory board

The cost of payment arrangements with the board of management and the supervisory board of the Ströer Group is presented below:

In EUR k	2018	2017
Board of management		
Short-term benefits	3,686	3,723
Other long-term benefits	2,010	1,895
Share-based payments	2,066	2,663
Total	**7,762**	**8,281**
Supervisory board		
Short-term benefits	281	264
Total	**281**	**264**

Short-term benefits comprise in particular salaries, remuneration in kind and performance-linked remuneration components which are paid during the following year. Long-term benefits comprise performance-based remuneration components granted to the board of management (excluding share-based payments) that are only paid in later years. The share-based payment relates to long-term incentives (LTI) and remuneration under the stock option plan resolved in 2013, under which stock options were issued in 2013 and 2014, as well as the stock option plan resolved in 2015, under which stock options were issued in 2015, 2017 and 2018.

A reference price for the shares in Ströer SE & Co. KGaA is determined at the end of each fiscal year for share-based LTI payments granted to the board of management (excluding the stock option plan).

After four fiscal years, the reference price is compared with the share price at the end of the year and the payment of remuneration is based on the share price reached (cash-settled transaction). An upper limit has been agreed for share-based payments.

Calculating the value of the share-based payment requires an estimate to be made of the future share price as of each reporting date. This is done using a Black-Scholes valuation model that was based on volatility of 29% and a dividend yield of 2.5% as of 31 December 2018. The interest rates used for the model are –0.3%. For the share-based payment attributable to 2018, we currently assume that the share price at the end of the vesting period will be 100% of the reference price. The 4,588 phantom stock options granted in 2018 each have a fair value of EUR 40.32. This led to an expense from allocations to provisions of EUR 283k in 2018 (prior year: EUR 496k).

The total provision for the share-based LTI payments granted to the board of management (excluding the stock option plan) as of 31 December 2018 amounts to EUR 1,432k (prior year: EUR 1,948k).

Stock Option Plan 2013

Under the stock option plan resolved by the shareholder meeting in 2013, the board of management received a total of 1,954,700 options in 2013 and 2014, which resulted in an expense of EUR 302k in 2018 (prior year: EUR 667k).

No options were granted in fiscal years 2017 or 2018 and therefore no weighted average fair value of the options granted in the fiscal year (prior year) needs to be stated.

The weighted average fair value of all options granted under the Stock Option Plan 2013 was EUR 2.14 (prior year: EUR 2.14).

For further details, see note 42 "Share-based payment."

Stock Option Plan 2015

Under the stock option plan resolved by the shareholder meeting in 2015, the board of management received a total of 350,000 options in 2015, 239,190 in 2017 and 199,460 in 2018, which resulted in an expense of EUR 1,481k in 2018 (prior year: EUR 1,500k).

The weighted average fair value of options granted during the fiscal year was EUR 9.43 (prior year: EUR 11.20).

The weighted average fair value of all options granted under the Stock Option Plan 2015 was EUR 11.23 (prior year: EUR 11.94).

For further details, see note 42 "Share-based payment."

As of 31 December 2018, a total of EUR 6,872k (prior year: EUR 7,681k) was recognized as provisions for all potential future short and long-term bonus entitlements of the board of management, EUR 1,432k (prior year: EUR 1,948k) of which is attributable to current entitlements from share-based payments. For further information, see the remuneration report, which is part of the combined management report of the Company and the Group.

EUR 2,001k of long-term benefits (LTI) are due for payment in 2019.

42 Share-based payment

Stock Option Plan 2013 for executives and employees

In 2013, the Group launched a stock option plan that entitles the relevant members of the board of management and executives to acquire shares in the Company.

The option rights can be exercised at the earliest after the expiry of the four-year vesting period beginning on the grant date of the subscription right. The options have a contractual term of seven years. Instead of issuing new shares, the Company may choose to grant a cash payment in order to satisfy the stock options. The options are expected to be equity-settled.

The right to exercise the stock options is dependent on the fulfillment of a certain length of service (vesting period), the value of the Company's share price and operational EBITDA of the Group of EUR 150m. The gain that can be achieved by option holders from exercising their stock options may not be more than three times the corresponding exercise price.

As of the grant date, the fair value of the stock options granted is determined using a Black-Scholes model and taking into account the conditions at which the stock options were issued.

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, stock options during the fiscal year.

In EUR	2018 Number	2018 WAEP	2017 Number	2017 WAEP
Outstanding on 1 Jan	1,541,367	8.49	2,274,700	7.93
Granted	0		0	
Forfeited	0		0	
Exercised	–613,886	7.14	–275,486	6.77
Expired	–572,781	7.14	–457,847	6.77
Outstanding on 31 Dec	354,700	13.00	1,541,367	8.49
Exercisable on 31 Dec	354,700	13.00	1,116,667	7.89

The expense recognized for employee services received during the fiscal year is shown in the following table:

In EUR k	2018	2017
Expenses arising from equity-settled share-based payment transactions	319	939

The weighted average remaining contractual life for the stock options outstanding as of 31 December 2018 is 2.8 years (prior year: 2.9 years).

No options were granted in fiscal year 2018 (or 2017) and therefore no weighted average fair value of the options granted in the fiscal year needs to be stated.

The weighted average fair value of all options granted under the Stock Option Plan 2013 was EUR 2.07 (prior year: EUR 2.07).

The weighted average share price of all options exercised in the reporting period was EUR 53.07 as of the exercise date (prior year: EUR 60.37).

The following table lists the inputs used to value the Stock Option Plan 2013, under which options were only granted in fiscal years 2013 and 2014, at the grant date:

	Options granted in 2014		Options granted in 2013	
	Board of management members	Executives	Board of management members	Executives
Dividend yield (%)	1.5	1.5	1.5	1.5
Expected volatility (%)	35	35	38	38
Risk-free interest rate (%)	0.40	0.60	0.85	0.85
Expected life of stock options (years)	5.5	5.5	5.5	5.5
Share price at grant date (EUR)	14.36	12.31	7.90	7.45
Model used	Black Scholes	Black Scholes	Black Scholes	Black Scholes

The expected volatility is based on an assessment of the historical volatility of the Company's share price, in particular in the period that corresponds to the expected life. The expected life of the stock options is based on estimates by the board of management.

Stock Option Plan 2015 for executives and employees

In 2015, the Group launched another stock option plan that entitles the relevant members of the board of management and executives to acquire shares in the Company.

The option rights can be exercised at the earliest after the expiry of the four-year vesting period beginning on the grant date of the subscription right. The options have a contractual term of seven years. Instead of issuing new shares, the Company may choose to grant a cash payment in order to satisfy the stock options. The options are expected to be equity-settled.

The right to exercise the stock options is dependent on the fulfillment of a certain length of service (vesting period), the value of the Company's share price and operational EBITDA of the Group of EUR 250m. The gain that can be achieved by option holders from exercising their stock options may not be more than three times the corresponding exercise price.

As of the grant date, the fair value of the stock options granted is determined using a Black-Scholes model and taking into account the conditions at which the stock options were issued.

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, stock options during the fiscal year.

In EUR	2018 Number	2018 WAEP	2017 Number	2017 WAEP
Outstanding on 1 Jan	876,190	50.02	420,000	50.92
Granted	376,460	55.27	456,190	49.01
Forfeited	0	0	0	0
Exercised	0	0	0	0
Expired	–139,730	49.92	0	0
Outstanding on 31 Dec	1,112,920	51.81	876,190	50.02
Exercisable on 31 Dec	0	0	0	0

The expense recognized for employee services received during the fiscal year is shown in the following table:

In EUR k	2018	2017
Expenses arising from equity-settled share-based payment transactions	1,964	2,132

The weighted average remaining contractual life for the stock options outstanding as of 31 December 2018 is 5.0 years (prior year: 5.5 years).

The weighted average fair value of options granted during fiscal year 2018 was EUR 8.68 (prior year: EUR 11.63).

The weighted average fair value of all options granted under the Stock Option Plan 2015 was EUR 10.78 (prior year: EUR 11.89).

The table below lists the inputs used to value the options granted under the Stock Option Plan 2015 in fiscal year 2018:

	Options granted in 2018		Options granted in 2017	
	Board of management members	Executives	Board of management members	Executives
Dividend yield (%)	2.51	2.51	1.5	1.5
Expected volatility (%)	29.2	29.2	36.5	36.5
Risk-free interest rate (%)	–0.31	–0.31	–0.60	–0.60
Expected life (years)	5.5	4.0	5.5	4.0
Share price at grant date (EUR)	56.55	51.65	47.26	53.09
Model used	Black Scholes	Black Scholes	Black Scholes	Black Scholes

The expected volatility is based on an assessment of the historical volatility of the Company's share price, in particular in the period that corresponds to the expected life. The expected life of the stock options is based on estimates by the board of management.

Cash-settled employee participation program for executives and employees

In 2016, a cash-settled employee participation program was set up as part of the acquisition of a majority shareholding in a subsidiary. This incentive system allows eligible employees to exercise phantom put options at a defined date in the future in return for cash settlement. The option holders are entitled to receive a cash settlement depending on the value of the shares. The value of the options was calculated on the basis of the business valuation performed as part of the majority acquisition. Future adjustments to the valuation are made on the basis of contractually agreed valuation formulas which are dependent on the business development and the company affiliation of the eligible employees. No other profit or market conditions have to be fulfilled to exercise the options. The options are allocated to the eligible employees and valued by the management of the subsidiary which requires the approval of its shareholders. All options with cash settlement were vested as of 31 December 2018. The carrying amount and the fair value of the liability from options with cash settlement was EUR 6,325k as of 31 December 2018 (31 December 2017: EUR 4,146k).

The personnel expenses recognized in the reporting period break down as follows:

In EUR k	2018	2017
Incentive systems with cash settlement	2,179	1,258

43 Executive bodies

Name	Membership in statutory supervisory boards	Membership in comparable oversight bodies
Board of management		
Udo Müller (Co-CEO)		
Christian Schmalzl (Co-CEO)		Internet Billboard a.s., Ostrava, Czech Republic
Dr. Bernd Metzner	Döhler GmbH, Darmstadt STRÖER Dialog Verwaltung Hamburg GmbH, Hamburg Sixt Leasing SE, Pullach (since 16 February 2018)	Anavex Life Sciences Corp., New York, USA (until 28 February 2018) Conexus AS, Drammen, Norway
Supervisory board		
Christoph Vilanek Chairman of the executive board of freenet AG, Büdelsdorf (Chairman)	eXaring AG, Munich MEDIA BROADCAST GmbH, Cologne (until 31 December 2018) mobilcom-debitel GmbH, Büdelsdorf (until 31 December 2018) gamigo AG, Hamburg (until 31 January 2018) Ströer Management SE, Düsseldorf	Sunrise Communications Group AG, Zurich, Switzerland
Dirk Ströer Managing director of Ströer Aussenwerbung GmbH & Co. KG, Cologne (Deputy Chairman)	Ströer Management SE, Düsseldorf	
Ulrich Voigt Member of the management board of Sparkasse KölnBonn	Ströer Management SE, Düsseldorf	Finanz Informatik GmbH & Co. KG, Frankfurt modernes Köln GmbH, Cologne
Anette Bronder Managing director of T-Systems International GmbH, Frankfurt (until 31 December 2018)	Deutsche Telekom IT GmbH, Bonn T-Systems Multimedia Solutions GmbH, Dresden	Deutsches Forschungszentrum für Künstliche Intelligenz GmbH, Kaiserslautern

Martin Diederichs Lawyer (since 9 August 2018)	Pison Montage AG, Dillingen Ströer Management SE, Düsseldorf	DSD Steel Group GmbH, Saarlouis
Julia Flemmerer Managing director of Famosa Real Estate S.L., Ibiza, Spain		
Christian Sardiña Gellesch Head of portfolio management at Ströer Deutsche Städte Medien GmbH, Cologne		
Rachel Marquardt Trade union secretary of ver.di federal administration, Berlin		
Tobias Meuser Rail portfolio manager at Ströer Deutsche Städte Medien GmbH, Cologne		
Dr. Thomas Müller Trade union secretary of ver.di Hessen, Frankfurt am Main		
Michael Noth Director of in-house staff at Ströer Sales & Services GmbH, Cologne		
Sabine Hüttinger Employee in the public affairs division at Ströer Deutsche Städte Medien GmbH, Cologne		
Andreas Huster Chairman of the works council at Avedo Gera GmbH, Gera (since 30 August 2018)	STRÖER Dialog Verwaltung Hamburg GmbH, Hamburg	
Nadine Reichel Commercial manager controlling and accounting at Infoscreen GmbH, Cologne (since 30 August 2018)		
Petra Sontheimer Management consultant and business coach at cidpartners GmbH, Bonn (since 9 August 2018)		
Vicente Vento Bosch Managing director and CEO of Deutsche Telekom Capital Partners Management GmbH, Hamburg	Ströer Management SE, Düsseldorf	Cellwize Wireless Technologies Pte. Ltd., Singapore Cloudreach Europe Ltd, London, UK Deutsche Telekom Strategic Investments GmbH, Bonn Deutsche Telekom Venture Funds GmbH, Bonn eValue 2nd Fund GmbH, Berlin Telekom Innovation Pool GmbH, Bonn Swiss Towers AG, Zug, Switzerland Keepler Data Tech. S.L., Madrid, Spain

44 Subsequent events

There were no significant events after the reporting date.

RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable financial reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group, and the group management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected future development of the Group.

Cologne, 13 March 2019

Ströer SE & Co. KGaA represented by:

Ströer Management SE
(general partner)

Udo Müller
Co-CEO

Christian Schmalzl
Co-CEO

Dr. Bernd Metzner
CFO

INDEPENDENT AUDITOR'S REPORT

To Ströer SE & Co. KGaA

Report on the audit of the consolidated financial statements and the combined management report of the Company and the Groups

Opinions

We have audited the consolidated financial statements of Ströer SE & Co. KGaA, Cologne, and its subsidiaries (the Group), which comprise the consolidated income statement and consolidated statement of comprehensive income for the fiscal year from 1 January 2018 to 31 December 2018, the consolidated balance sheet as at 31 December 2018, consolidated statement of cash flows and consolidated statement of changes in equity for the fiscal year from 1 January 2018 to 31 December 2018, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the combined management report of the Company and the Group of Ströer SE & Co. KGaA for the fiscal year from 1 January 2018 to 31 December 2018.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB ["Handelsgesetzbuch": German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities and financial position of the Group as at 31 December 2018 and of its financial performance for the fiscal year from 1 January 2018 to 31 December 2018, and
- the accompanying combined management report of the Company and the Group as a whole provides an appropriate view of the Group's position. In all material respects, this combined management report of the Company and the Group is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

Pursuant to Sec. 322 (3) Sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the combined management report of the Company and the Group.

Basis for the opinions

We conducted our audit of the consolidated financial statements and the combined management report of the Company and the Group in accordance with Sec. 317 HGB and the EU Audit Regulation (No 537/2014, referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and of the combined management report of the Company and the Group" section of our auditor's report. We are independent of the Group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Art. 10 (2) f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Art. 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the combined management report of the Company and the Group.

Key audit matters in the audit of the consolidated financial statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the fiscal year from 1 January 2018 to 31 December 2018. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon; we do not provide a separate opinion on these matters.

Below, we describe what we consider to be the key audit matters:

1. Impairment testing of goodwill

Reasons why the matter was determined to be a key audit matter

Ströer SE & Co. KGaA performs the impairment testing of assets required under IAS 36, "Impairment of Assets," as of 30 September of a given fiscal year, or as required. The carrying amount of a cash-generating unit to which goodwill has been allocated is compared with the recoverable amount, which the Company determines using a discounted cash flow method. In addition, in fiscal year 2018, Ströer SE & Co. KGaA reallocated goodwill to the cash-generating units due to a change in the structure of its segment reporting. In view of the complexity and use of judgment involved, the impairment testing of goodwill was a key audit matter in our audit. Impairment testing is based on assumptions which are derived from the business planning and are influenced by expected future market and economic conditions. The impairment test is also essentially based on the proper identification of the cash-generating units to which goodwill is allocated. In each case, the recoverable amount depends in particular on the future cash flows in the mid-range planning for the cash-generating units as well as the assumed discount and growth rates. The executive directors are responsible for determining these parameters and judgment is used. There is a risk that changes in judgment entail material changes in the impairment testing of the relevant cash-generating units.

Auditor's response

In view of the reallocation of goodwill to the cash-generating units, we analyzed the internal reporting regularly used by the board of management to monitor and manage the Group as part of our audit procedures. We assessed whether the monitoring and controlling units identified are consistent with the identified cash-generating units within the scope of impairment testing and checked the clerical accuracy of the reallocation of goodwill based on the relative value of the respective cash-generating units. As part of our audit procedures, we examined the Company's established impairment testing process in terms of its suitability for identifying a potential impairment requirement and the effectiveness of the related controls. In this context, we discussed the main planning assumptions with the executive directors with the assistance of our internal valuation specialists. We focused on assessing the expected future cash flows in the mid-range planning of the significant cash-generating units as well as the discount and growth rates used. For this purpose, we analyzed the assumptions underlying the impairment test to determine whether they are in line with general and industry-specific market expectations. We also checked the executive directors' planning accuracy by comparing the mid-range planning from prior years with the actual figures of the relevant fiscal years. Furthermore, we compared the mid-range planning used in the impairment testing with the mid-range planning approved by the supervisory board and assessed the mathematical accuracy of the valuation models based on a sample. We determined that the assumptions in connection with the planning are sufficiently documented and consistent with our expectations. Given the material significance of goodwill, we also performed our own sensitivity analyses (carrying amount compared with the recoverable amount) for significant cash-generating units in order to understand the effect of changes to certain parameters on the valuation models. We also assessed the disclosures made by Ströer SE & Co. KGaA in the notes to the consolidated financial statements. In this regard we checked a sample of the executive directors' disclosures for completeness and compared them with our expectations.

Our audit procedures did not lead to any reservations relating to the measurement of goodwill.

Reference to related disclosures

Notes 2, "Assumptions, accounting estimates and the use of judgment," 3, "Significant accounting policies," and 19, "Intangible assets," in the notes to the consolidated financial statements contain information from Ströer SE & Co. KGaA on the recognition and measurement of goodwill.

2. Presentation of purchase price allocations for significant business combinations

Reasons why the matter was determined to be a key audit matter

In fiscal year 2018, Ströer SE & Co. KGaA made various acquisitions with a change of control which are accounted for in line with IFRS 3, "Business Combinations." Assessing the accounting for the significant business combinations was one of the key audit matters for our audit because considerable judgment is used by the executive directors in purchase price allocations in connection with the first-time consolidation of acquirees and the finalization of the acquisitions made in the prior year, such that there is an elevated risk of material misstatement. In this connection the executive directors' estimates concerning the change of control also had to be assessed in line with IFRS 10, "Consolidated Financial Statements." Additional estimation uncertainty arises in the case of business acquisitions with variable purchase prices based on contractually agreed purchase price adjustment clauses as the measurement models for variable purchase prices are based on each acquiree's business planning and influenced by future market and economic conditions

Auditor's response

As part of our audit procedures for significant business combinations we analyzed the underlying contractual arrangements as to whether estimates made by the executive directors in relation to the change of control are plausible based on the criteria of IFRS 10. When assessing the provisional purchase price allocations for the acquisitions made in fiscal year 2018 and the final purchase price allocations for the acquisitions made in the prior year, we assessed the methods used by the executive directors in terms of the assumptions used based on the criteria of IFRS 3, "Business Combinations." Based on our past experience and general as well as industry-specific market expectations, we assessed the executive directors' estimates with the assistance of our valuation specialists in respect of the identifiable assets and liabilities, the estimated future cash flows of the identifiable assets and the fair values of the assumed liabilities, the discount rates applied and the estimated useful lives at the acquisition date. We also assessed the objectivity and competence of the external valuation specialists who were engaged by the Company to prepare purchase price allocations for significant business combinations. We obtained an understanding of the method used in the valuation models for estimating variable purchase prices and reconciled them on a sample basis with existing market and economic data, taking the underlying budgets and forecasts into account. In addition, we reconciled these valuations with the underlying internal data in the group planning system and checked the mathematical accuracy of the purchase prices. Furthermore, we checked whether the acquired entities applied the uniform group accounting policies and whether the initial consolidations of the identified net assets were recognized completely and properly in the consolidation system. As part of our audit of the consolidated financial statements we also assessed the presentation of the business combinations in the notes to the consolidated financial statements in terms of their compliance with IFRS 3, "Business Combinations.".

Our audit procedures did not lead to any reservations relating to the recognition of significant business combinations.

Reference to related disclosures
Notes 2, "Assumptions, accounting estimates and the use of judgment," 3, "Significant accounting policies," 6, "Significant business combinations and sales," and 34, "Other notes pursuant to IFRS 7 and IFRS 13 on financial risk management and financial instruments" in the notes to the consolidated financial statements contain the Company's disclosures regarding significant business combinations.

3. Appropriateness of the recognition of different revenue streams in revenue recognition

Reasons why the matter was determined to be a key audit matter
The main revenue streams in the consolidated financial statements of Ströer SE & Co. KGaA are generated from the commercialization of advertising faces in the large formats, street furniture and transport product groups, the commercialization of online advertising as well as subscription and e-commerce business. The proper recognition and allocation of these different revenue streams is subject to a particular risk of material misstatement in view of their complexity and the mandatory first-time adoption of IFRS 15, "Revenue from Contracts with Customers." Against this backdrop, we classified the recognition of various revenue streams in the context of applying financial reporting standards as one of the key audit matters for our audit of the consolidated financial statements.

Auditor's response
In the course of our audit, we assessed whether the group accounting guideline for IFRS 15 provides a suitable basis for preparing consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs). As part of our audit of revenue recognition for the fiscal year, we addressed the process of transitioning to IFRS 15 and the process for recognizing significant revenue streams in relation to the criteria of IFRS 15. In this connection, we assessed the effectiveness of the process-specific controls with regard to the complete and accrual-based recognition and measurement of revenue. In order to test the propriety of revenue recognition as of the reporting date, we inspected significant contracts, obtained external customer confirmations and performed substantive testing on a sample of supplier documents, customer invoices and payment receipts as of the reporting date. With the help of analytical analyses of the aggregate data of relevance for revenue in fiscal year 2018, we checked correlation analyses and daily revenue postings using data analysis tools. Our expectations were based on industry and market-specific data as well as past experience; we compared them with the results of the data analyses by Ströer SE & Co. KGaA. The results of the data analysis are consistent with our expectations. We also assessed the accounting consequences of new business models in terms of revenue recognition. To this end we checked on a sample basis whether the underlying contracts were properly recorded in the notes to the consolidated financial statements on the basis of the criteria defined in IFRS 15. The risk stemming from management being able to make manual revenue postings outside of the standardized revenue process was mitigated by making extensive inquiries of the executive directors for our audit opinion and using data analysis tools. In this connection we also examined a sample of the underlying data to check whether there was any unauthorized access in fiscal year 2018.

Our audit procedures did not lead to any reservations relating to the recognition of revenue.

Reference to related disclosures

Notes 3, "Significant accounting policies," and 4, "Changes in accounting policies," and 9, "Revenue," in the notes to the consolidated financial statements contain the Company's disclosures on revenue recognition.

4. First-time application of IFRS 16 – Leases

Reasons why the matter was determined to be a key audit matter

Ströer SE & Co. KGaA is party to a large number of lease contracts. With approximately 230,000 marketable advertising spaces in more than 600 cities in Germany, a large share of the lease arrangements relate to leases concluded with owners of private and public land. Due to the diversity of contractual provisions, the assessment of leases is based on assumptions that are also derived from the business planning and are dependent on expected future market and economic conditions. Against the background of the absolute amount of lease liabilities and rights of use recognized as of 31 December 2018, the underlying complexity of individual lease agreements and the judgment exercised during valuation, the first-time application of IFRS 16, "Leases," is a key audit matter in connection with our audit of the consolidated financial statements.

Auditor's response

In the course of our audit, we assessed whether the group accounting guideline for IFRS 16 provides a suitable basis for preparing consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs). As part of our audit of lease accounting for the fiscal year, we addressed the process of transitioning to IFRS 16 and the process for recognizing lease agreements and the related control environment in relation to the criteria of IFRS 16. In this connection, we assessed the effectiveness of the process-specific controls with regard to the measurement and completeness of lease transactions. In view of the first-time application of IFRS 16, we checked the completeness of the data migration in the integrated lease tool of Ströer SE & Co. KGaA as well as the measurement of leases in this application on the basis of a sample of lease agreements chosen using statistical selection criteria. With the help of data analysis tools, we examined the entire expense-related data set for fiscal year 2018 to check that all leases are recognized in full in the leasing tool of Ströer SE & Co. KGaA based on the recognition criteria of IFRS 16. In order to check the measurement of new lease agreements concluded in fiscal year 2018, we reviewed a sample of lease agreements chosen using statistical selection criteria and examined their accounting treatment, in particular in relation to judgment applied for agreed payments and contractually agreed options on the basis of the requirements of IFRS 16. In addition, we examined the access controls of the lease tool used by Ströer SE & Co. KGaA in relation to their effectiveness in preventing unauthorized access. As part of our audit of the consolidated financial statements we also assessed the presentation of leases in the notes to the consolidated financial statements in terms of compliance with the provisions of IFRS 16.

Our procedures with regard to the first-time application of IFRS 16 and the related recognition of leases did not lead to any reservations.

Reference to related disclosures

Notes 3, "Significant accounting policies," 4, "Changes in accounting policies," 20, "Property, plant and equipment," 29, "Financial liabilities," and 35, "Notes pursuant to IFRS 16 on finance leases," in the notes to the consolidated financial statements contain the Company's disclosures on leases.

Responsibilities of the executive directors and the supervisory board for the consolidated financial statements and the combined management report of the Company and the Group

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB, and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position and financial performance of the Group. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the combined management report of the Company and the Group that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a combined management report of the Company and the Group that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the combined management report of the Company and the Group.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the combined management report of the Company and the Group.

Auditor's responsibilities for the audit of the consolidated financial statements and of the combined management report of the Company and the Group

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the combined management report of the Company and the Group as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the consolidated financial statements and on the combined management report of the Company and the Group.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sec. 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this combined management report of the Company and the Group.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the combined management report of the Company and the Group, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the combined management report of the Company and the Group in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the combined management report of the Company and the Group or, if such disclosures are inadequate, to modify our respective opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the combined management report of the Company and the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.
- Evaluate the consistency of the combined management report of the Company and the Group with the consolidated financial statements, its conformity with [German] law, and the view of the Group’s position it provides.
- Perform audit procedures on the prospective information presented by the executive directors in the combined management report of the Company and the Group. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter.

Other legal and regulatory requirements

Further information pursuant to Art. 10 of the EU Audit Regulation

We were elected as group auditor for fiscal year 2018 by the annual general meeting on 30 May 2018. We were engaged by the supervisory board on 25 November 2018. We have been the group auditor of Ströer SE & Co. KGaA without interruption since fiscal year 2002.

We declare that the opinions expressed in this auditor’s report are consistent with the additional report to the audit committee pursuant to Art. 11 of the EU Audit Regulation (long-form audit report).

German Public Auditor responsible for the engagement

The German Public Auditor responsible for the engagement is Marc Ueberschär.

Cologne, 13 March 2019

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Ueberschär	**Galden**
Wirtschaftsprüfer	Wirtschaftsprüfer
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Imprint

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Cologne Local Court
HRB no. 86922
VAT identification no.: DE811763883

This annual report was published on 27 March 2019 and is available in German and English. In the event of inconsistencies, the German version shall prevail.

Disclaimer

FINANCIAL CALENDAR

14 May 2019	Quarterly statement Q1 2019
19 Jun 2019	Annual shareholder meeting, Cologne
08 Aug 2019	Half-year financial report H1/Q2 2019
13 Nov 2019	Quarterly statement 9M/Q3 2019

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